

STATE OF INDIANA ) BEFORE THE INDIANA  
COUNTY OF MARION ) SS: COMMISSIONER OF INSURANCE  
IN THE MATTER OF: )  
  
Arch Excess & Surplus ) WARRANT NUMBER: IDOI-MC07-0627-042  
Insurance Company )  
10306 Regency Parkway Drive )  
Omaha, Nebraska 68113 )  
 )  
Market Conduct Examination )

**FILED**

JUN 02 2009

**STATE OF INDIANA  
FINAL ORDER DEPT. OF INSURANCE**

On August 4, 2008, the Consumer Protection Unit of the Indiana Department of Insurance (“Department”) received the verified report of the examiner in this market conduct examination (“Report”). Pursuant to Ind. Code § 27-1-3.1-10(b), the company examined was given a reasonable opportunity to make a written submission or rebuttal with respect to any matters contained in the Report. The Commissioner, having reviewed the materials submitted and pursuant to Ind. Code § 27-1-3.1-11, now hereby issues the following order:

WHEREAS, the Commissioner of Insurance of the State of Indiana (“Commissioner”) is a duly authorized and appointed official of the State of Indiana, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Arch Excess & Surplus Insurance Company, NAIC # 10946 (“Arch”) is authorized to conduct the business of insurance in the State of Indiana as a Surplus Lines Company; and

WHEREAS, a market conduct examination of Arch was conducted by duly appointed independent examiners under contract with the Department pursuant to Indiana Code §§ 27-1-3.1-8 and 27-1-3-1.9; and

WHEREAS, a copy of a draft report was provided to Arch on or about March 11, 2008; and

WHEREAS, Arch was provided an opportunity to review the draft Report and submit a draft rebuttal/response; and

WHEREAS, on August 4, 2008 the examiners filed a verified Report with the Department as a result of the market conduct examination pursuant to Indiana Code section 27-1-3.1-10(b), attached as Exhibit 'A'; and

WHEREAS, a written response to the verified report was received from Arch on September 11, 2008, attached as Exhibit 'B'; and

WHEREAS, Arch underwrote a long-term care program administered by Caitlin Morgan Insurance Services for professional and general liability coverage; and

WHEREAS, the surcharge remitted to the Patients Compensation Fund (PCF) on behalf of providers of long-term care should have been calculated at one hundred percent (100%) of the primary premium, one hundred ten percent (110%) after April 17, 2005, for the provider; and

WHEREAS, the Examiner reviewed the surcharges remitted to the PCF by Arch on policies written between April 29, 2003 and May 1, 2005 and determined that the surcharges remitted by Arch have fallen short of the amounts that should have been remitted by approximately \$2.6 million; and

WHEREAS, the parties have engaged in negotiations to resolve the matter; and

WHEREAS, Arch offered to pay the Department an additional forty thousand dollars (\$40,000) to resolve the matter; and

WHEREAS, the parties have reached an impasse and negotiations have failed; and

WHEREAS, the Commissioner has fully considered and reviewed the verified Report and the written rebuttal/response from Arch; and

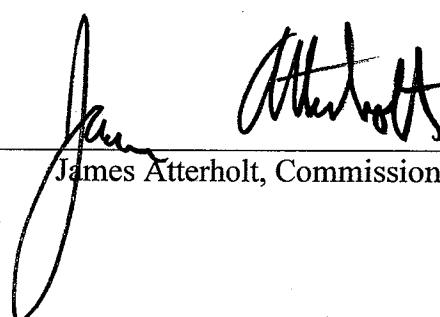
WHEREAS, the examination report as filed is hereby adopted; and

WHEREAS, Arch is aware of and understands its various rights in connection with the examination and Report, including the right to counsel, notice, hearing and appeal under Indiana Code §§ 27-1-3.1-10, 27-1-3.1-11, 27-1-1-3.1-12, and 27-1-3.1-13;

**IT IS THEREFORE ORDERED, ADJUDGED AND DECREED** by the Commissioner of Insurance:

1. The Report of the examiner shall be and is hereby adopted as filed and incorporated herein.
2. Arch shall immediately remit the sum of \$2.6 million to the Indiana Department of Insurance.
3. Pursuant to IC 27-1-3.1-11 failure to comply with the terms of this Order may subject Arch to further legal and/or administrative action.

**ALL OF WHICH IS ORDERED THIS 2 DAY OF June,  
2008.**

  
James Atterholt, Commissioner of Insurance

Distribution to:

Carol Mihalik, Chief Deputy Commissioner and Counsel  
Consumer Protection Unit  
Indiana Department of Insurance  
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**INDIANA DEPARTMENT OF INSURANCE**

**MARKET CONDUCT EXAMINATION OF  
ARCH EXCESS AND SURPLUS INSURANCE COMPANY**

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Market Analysis Attorney

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Principal and Consulting Actuary

Susan J. Forray, F.C.A.S., M.A.A.A.  
Consulting Actuary

Milliman, Inc.  
Brookfield, Wisconsin  
(262) 784-2250

February 19, 2008

## **INDIANA DEPARTMENT OF INSURANCE**

### **MARKET CONDUCT EXAMINATION OF ARCH EXCESS AND SURPLUS INSURANCE COMPANY**

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**INDIANA DEPARTMENT OF INSURANCE**

**MARKET CONDUCT EXAMINATION OF  
ARCH EXCESS AND SURPLUS INSURANCE COMPANY**

**INTRODUCTION AND BACKGROUND**

Milliman was retained by the Indiana Department of Insurance (the Department) to perform a market conduct examination of Arch Excess and Surplus Insurance Company (Arch; NAIC Company code number 10946) under warrant number IDOI-MC07-0627-042. Arch is a multi-state writer of several property and liability coverages, including long-term care professional and general liability coverage.

Within the State of Indiana, Arch wrote a long-term care program that was administered by Caitlin Morgan Insurance Services (Caitlin Morgan). According to its website, Caitlin Morgan is an insurance brokerage firm that specializes in assisting Midwest based independent agents place business and develop package programs for certain select industries. One of these select industries is the long-term care industry, for which Caitlin Morgan developed and administered the professional and general liability program that was underwritten by Arch and is the focus of our examination.

Arch is domiciled in the State of Nebraska at the following address:

10306 Regency Parkway Drive  
Omaha, NE 68113

### **SCOPE OF EXAMINATION**

The purpose of the examination is to review the surcharge payments remitted by Arch to the Indiana Patients Compensation Fund (PCF) on behalf of its insureds to ensure compliance with 760 IAC 1-21. The scope of the examination includes policies written by Arch between April 29, 2003 and May 1, 2005. Any potential error on the part of Arch observed as part of the examination process has been included, regardless of whether it was a pattern error or part of general business practice.

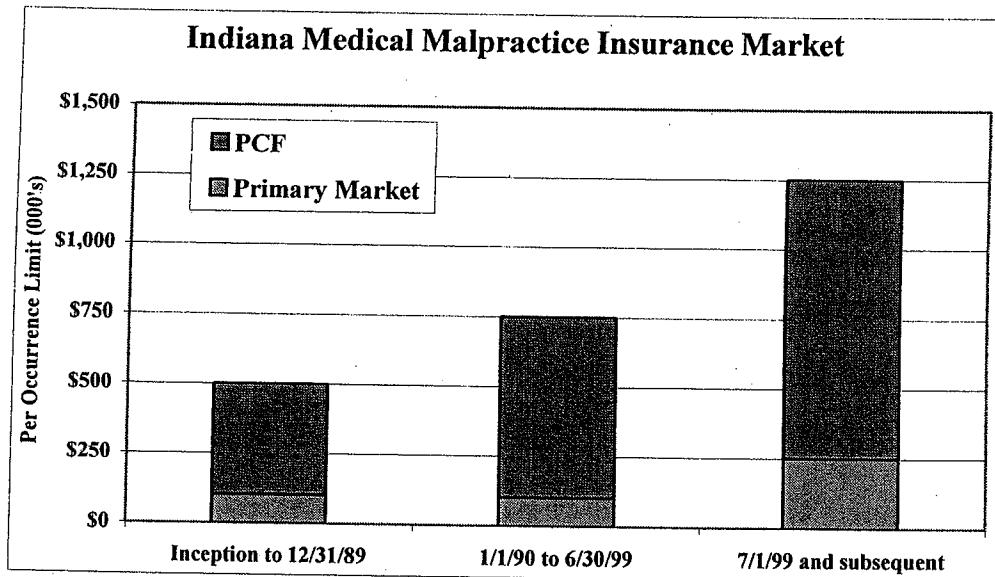
## **BACKGROUND ON THE PATIENTS COMPENSATION FUND**

The PCF provides excess medical professional liability coverage to health care providers, including both individual practitioners and institutions within Indiana. Since its creation in July of 1975, the purpose of the PCF has been to provide insurance protection to health care providers and compensation to patients involved in cases of medical negligence.

The Indiana medical malpractice market is different from most other states in two regards. First is the existence of the PCF, which functions as a state-run excess medical liability vehicle. Primary commercial insurers in Indiana provide coverage up to the threshold of the PCF. For claims with accident dates prior to July 1, 1999, the primary carrier provides coverage up to \$100,000 per occurrence. For claims occurring on or subsequent to this date, the primary carrier provides coverage up to \$250,000 per occurrence. There are only six other states that utilize a broad-based state-operated fund for the excess medical professional liability of their health care providers like Indiana.

The second aspect of the Indiana medical malpractice market that is different from most other states is the existence of a statutory cap on total damages (both economic and non-economic) that a claimant may receive for an act of medical negligence. The PCF provides coverage in the layer between that covered by the primary carriers and the statutory cap on total damages. For claims that occurred prior to January 1, 1990, the statutory cap on damages is \$500,000. The cap on damages was increased to \$750,000 for claims occurring between January 1, 1990 and June 30, 1999; it was further increased to \$1,250,000 for claims occurring on or after July 1,

1999. The following graph provides a summary of the medical liability coverage structure in Indiana:



Participation in the PCF is not mandatory. However, it is our understanding that the vast majority of healthcare providers in Indiana do participate in the PCF. Further, the statutory cap on total damages only applies to those providers that participate in the PCF.

The PCF sets surcharge rates for physicians and hospitals based on physician specialties and occupied bed equivalencies. For all other healthcare providers in Indiana, including providers of long-term care, the surcharge amount is determined as a percentage of the premium paid by the provider for coverage in the primary layer<sup>1</sup>.

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<sup>1</sup> Effective March 4, 2007, the surcharge amount for long-term care providers is no longer a percent of the primary premium but is rather based on the number and type of long-term care beds at the insured facility.

For policies written prior to April 17, 2005, the surcharge to be remitted to the PCF was set at 100% of the primary premium. On and subsequent to April 17, 2005, the surcharge was increased to 110%.

## **LONG-TERM CARE PCF SURCHARGES**

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As discussed above, during the period of time included within the scope of our examination, the surcharge remitted to the PCF on behalf of providers of long-term care was calculated as a percentage of the primary premium for the provider. Specifically, 760 IAC 1-21-8(a) states:

*"The annual surcharge for an ancillary provider shall be one hundred ten percent (110%) of the cost to the ancillary provider for maintenance of financial responsibility."*

According to IC 34-18-4-1:

*"Financial responsibility of a health care provider ... may be established ... by the health care provider's insurance carrier filing with the commissioner proof that the health care provider is insured by a policy of malpractice liability insurance in the amount of at least two hundred fifty thousand dollars (\$250,000) per occurrence."*

However, there is some potential ambiguity in the practical application of the surcharge, due to differences in coverage provided by a typical primary policy and the PCF. For example:

- A typical long-term care liability policy provides both professional and general liability coverage. Such policies may also provide coverage for auto liability and other property and casualty exposures. The PCF provides only professional liability coverage;
  
- The primary premium often includes coverage for independent living beds, or beds that otherwise do not have any medical professional liability coverage associated with them. It is our understanding that the PCF would consequently provide no coverage for these beds since no health care is being provided; and

- The primary policy may reflect certain adjustments to exposure (and a corresponding increase or decrease in premium) that would not affect the exposure to loss within the PCF's layer of coverage. An example of such an adjustment would be a deductible, which would serve to decrease the primary-layer premium but not affect the expected losses within the PCF's layer.

Thus, in calculating the PCF surcharge for a given provider, the Department may deem it appropriate to make the following adjustments to the provider's primary premium:

- Remove the general liability portion of the premium, so that only the professional liability portion of the premium remains;
- Remove the portion of the premium based on independent living beds, or other beds for which no health care is provided; and
- Any other adjustments, such as the removal of deductible credits, that would affect the exposure of the primary policy but not the coverage provided by the PCF.

## **RESULTS OF EXAMINATION**

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We have examined the surcharges remitted to the PCF by Arch on policies written between April 29, 2003 and May 1, 2005. We understand that Arch remitted approximately \$0.5 million to the PCF in surcharges for these policies. Using the relevant surcharge percentage corresponding to the policy period, along with the adjustments discussed in the prior section, we believe the surcharge should have been approximately \$3.1 million. In other words, we estimate that the surcharges remitted by Arch have fallen short of the amounts that should have been remitted by approximately \$2.6 million.

### ***Calculation of Total Premium***

In calculating the amount of surcharge to be remitted to the PCF, it was necessary to first examine the amount of general liability and professional liability premium on each policy. Arch did not include several items as part of the general and professional liability "premium", instead listing them as separate line items within the underwriting files. These include an excess and surplus tax, membership or buying group fee, agent fee, risk management credit or debit, expense reduction credit, and installment fee. We believe these items, with the exception of the membership or buying group fee and the installment fee<sup>2</sup>, are typically included in the determination of a company's premium and, thus, should be included as a part of total premium

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<sup>2</sup> Statement of Statutory Accounting Principles Number 53: Property Casualty Contracts – Premium (SSAP 53) states that, "written premium is defined as the contractually determined amount charged by the reporting entity to the policyholder for the effective period of the contract based on the expectation of risk, policy benefits, and expenses associated with the coverage provided by the terms of the insurance contract." [Paragraph 3].

SSAP 53 also states, "Flat fee service charges on installment premiums (fees charged to policyholders who pay premiums on an installment basis rather than in full at inception of contract) are reported in the Other Income section of the Underwriting and Investment Exhibit as Finance and Service Charges."

for the purposes of calculating the PCF surcharge. The inclusion of these items increases the Milliman calculated total written premium from approximately \$7.9 million to \$8.3 million, as shown on Exhibit 1. Based on the accounting guidance, it is unclear to us whether the membership or buying group fees should be included in the definition of premium. For purposes of our analysis, we have not included these costs in the Milliman calculated premium. If the Department deems it appropriate to include the membership or buying group fee as well, our report could be amended to reflect this change. This would increase the amount of the estimated shortfall cited above, by approximately \$40,000.

It should be noted that a substantial number of policies were cancelled on September 1, 2004. It is our understanding that these policies were transferred to a different program administered by Caitlin Morgan. We have accounted for these cancellations in our calculation of PCF surcharges as shown on Exhibit 2.

#### *Non-Nursing Beds*

As discussed in the section entitled Long-Term Care PCF Surcharges, the Department may deem it appropriate to require long-term care surcharges to be remitted only for those beds with professional liability exposure. Arch classifies long-term care beds into three categories: skilled care, assisted living and independent living. Under these definitions, a reasonable interpretation, and one that the Department has directed us to make in prior long-term care assignments, would be that health care is being provided and, thus, professional liability exposure exists, for skilled care and assisted living only. Arch has remitted surcharges for all three bed types.

Consequently, we have removed the independent living exposure in our calculation of PCF surcharges.

***Professional Liability Ratio***

As discussed in the section entitled Long-Term Care PCF Surcharges, a typical long-term care liability policy provides professional and general liability coverage. This is the case for each of the policies written in Indiana by Arch. To remove the general liability portion of the premium, Arch applied ratios that varied by policy. Arch has applied a ratio between 10% and 15% to the majority of its policies to estimate the professional liability portion of the premium. For certain policies, Arch applied a ratio outside this range. As shown on Exhibit 4, our analysis of various indications of the professional liability portion of the long-term care facility rate suggests that a ratio of 90% is appropriate. We rely on this selected ratio in our surcharge calculations given on Exhibit 2.

For comparison purposes only, we have recalculated the indicated surcharge using a professional liability ratio of 15%. All else equal, this would reduce the shortfall from \$2.6 million to less than \$50,000. This implies that the indicated shortfall depends heavily on the selected professional liability ratio and that the other adjustments noted in this section, while we believe to be necessary and reasonable, do not materially impact the indicated shortfall.

***Other Adjustments***

We did not make any other adjustments to Arch's premium indications nor the surcharge calculation.

### **RECONCILIATION OF DATA**

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For a small sampling of Arch policies, we have reconciled the bed counts provided by Arch with bed counts available from Medicare. This provided a confirmation that the data provided to us by Arch appeared reasonable. Note that certain small differences exist between the Arch data and the Medicare data, presumably due to differences in Arch's policy period and the Medicare evaluation date. This is shown on Exhibit 5.

Also, on Exhibit 6, we provide a comparison of the surcharges remitted as of May 1, 2005 for which either the Department or Arch provided a record. Certain differences exist between the Department data and the Arch data, and there appear to be some missing records from the data provided by the Department. In total, however, the difference is small relative to the total amount of surcharges paid.

## **OTHER CONSIDERATIONS**

Several final points should be made. First, we have relied on the rate filings prepared by CNA and St. Paul without audit or independent verification. Also, data and other background information underlying our analysis have been provided to us by the Department without audit or independent verification, as such was beyond the scope of our analysis. If the data or information provided to us is inaccurate or incomplete, our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the above data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

We have performed the tests discussed within this report in the course of our analysis of Arch's remitted surcharges. Other than the tests discussed herein, we have not audited the data provided to us by Arch. In particular, we have relied on Arch's Annual Statements and underwriting file data without audit or independent verification.

Lastly, this report has been prepared for the use of and is only to be relied upon by the Department. No portion of this report may be provided to any other party except as required by statute or regulations. In the event this report is provided to any other party, the report must be

provided in its entirety. This report may not be filed with the SEC or other securities regulatory bodies. In the event Milliman's work is distributed to other parties due to statute or regulations, or by agreement of Milliman and the Department, Milliman requires that its work be distributed in its entirety, and that any recipient be advised to have its own actuary review the work. Milliman does not intend to benefit any third party recipient of its work product or create any legal duty from Milliman to a third party even if Milliman consents to the release of its work product to such third party.

**CLOSING**

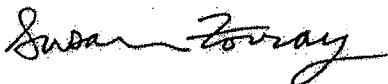
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Debra, we have appreciated the opportunity to perform this analysis for the Department. If you have any comments or questions, please call.

Respectfully submitted,



Chad C. Karls, F.C.A.S., M.A.A.A.  
Principal and Consulting Actuary



Susan J. Forray, F.C.A.S., M.A.A.A.  
Consulting Actuary

CCK/SJF/sbs

February 19, 2008

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| Calculation of Total Premium                              |                       |  |                                |  |                  |  |                                    |                        |   |
|---|-----------------------|--|--------------------------------|--|------------------|--|------------------------------------|------------------------|---|
| (1)   | (2)                   | (3) Arch<br>Calculated<br>PL & GL<br>Premium | (4) Excess &<br>Surplus<br>Tax | (5) Membership/<br>Buying<br>Group Fee | (6) Agent<br>Fee | (7) Risk<br>Management<br>Debit (Credit) | (8) Expense<br>Reduction<br>Credit | (9) Installment<br>Fee | (10) Milliman<br>Calculated<br>Total Premium <sup>1</sup> |
| Allison Healthcare Corporation                            | Policy Effective Date | 6,225  | 156                            | 500                                    | 743              | 0  | 0                                  | 266                    | 7,124   |
| Allison Healthcare Corporation                            | 4/30/2003             | 8,168  | 204                            | 750                                    | 0                | 0  | 0                                  | 327                    | 8,372   |
| Alpha Home, Inc.  | 3/1/2004              | 33,057                                       | 826                            | 500                                    | 3,936            | 0  | 0                                  | 1,283                  | 37,839  |
| Alpha Homes   | 5/1/2003              | 39,474                                       | 987                            | 750                                    | 0                | 0  | 0                                  | 1,579                  | 40,461  |
| American Senior Communities                               | 3/1/2003              | 39,654                                       | 991                            | 500                                    | 4,746            | 0  | 0                                  | 2,057                  | 45,391  |
| American Senior Communities                               | 3/1/2004              | 51,565                                       | 1,192                          | 6,750                                  | 0                | 0  | 0                                  | 1,907                  | 52,757  |
| Harrison Healthcare dba American Village Retirement       | 3/1/2004              | 84,190                                       | 2,105                          | 750                                    | 0                | 0  | 0                                  | 3,368                  | 86,295  |
| Archer Consultation                                       | 4/1/2004              | 90,609                                       | 2,265                          | 750                                    | 0                | 0  | 0                                  | 3,624                  | 92,874  |
| Bethany Village Nursing Home                              | 3/1/2004              | 50,000                                       | 1,250                          | 750                                    | 0                | 0  | 0                                  | 51,250                 |   |
| Bethany Assisted Living                                   | 3/1/2004              | 35,750                                       | 894                            | 750                                    | 0                | 0  | 0                                  | 1,430                  | 36,644  |
| Care Centers of Indiana - Bethlehem                       | 1/1/2003              | 51,389                                       | 1,285                          | 500                                    | 4,615            | 0  | 0                                  | 2,345                  | 57,289  |
| Beitz Nursing Home  | 1/2/2003              | 36,536                                       | 913                            | 500                                    | 3,519            | 0  | 0                                  | 1,370                  | 40,968  |
| Beitz Nursing Home  | 3/1/2004              | 29,325                                       | 674                            | 0                                      | 0                | 0  | (2,346)                            | 1,218                  | 27,653  |
| Bethel Village Health Care Center                         | 3/1/2004              | 86,552                                       | 2,164                          | 750                                    | 0                | 0  | 0                                  | 3,462                  | 88,716  |
| Brookville Healthcare, Inc. dba Elie Dreyer Nursing Home  | 9/1/2003              | 52,336                                       | 131                            | 500                                    | 1,000            | 0  | 0                                  | 217                    | 6,367   |
| Brookville Healthcare, Inc.                               | 3/1/2004              | 10,355                                       | 259                            | 750                                    | 1,000            | 0  | 0                                  | 414                    | 11,614  |
| Business Support Services, Inc.                           | 3/1/2004              | 253,368                                      | 6,334                          | 6,750                                  | 0                | 0  | 0                                  | 10,135                 | 259,702   |
| Byron Healthcare Center                                   | 3/1/2004              | 76,475                                       | 1,912                          | 750                                    | 0                | 0  | 0                                  | 3,059                  | 78,387  |
| Care Centers of Indiana - Cardinal                        | 1/1/2003              | 149,341                                      | 3,739                          | 500                                    | 4,615            | 0  | 0                                  | 6,823                  | 157,895   |
| Cardon  | 3/1/2004              | 198,576                                      | 5,703                          | 8,250                                  | 0                | 31,908                                   | 0                                  | 9,124                  | 236,187   |
| Careage of Logansport, Inc. dba Chase Nursing & Rehab Ctr | 10/1/2003             | 149,235                                      | 3,731                          | 500                                    | 14,924           | 0  | 0                                  | 5,596                  | 167,890   |
| Careage of Logansport                                     | 3/1/2004              | 120,960                                      | 2,446                          | 0                                      | 0                | (12,365)                                 | (10,752)                           | 3,105                  | 100,289   |
| Carmel Care Center  | 3/1/2004              | 79,650                                       | 1,991                          | 750                                    | 0                | 0  | 0                                  | 81,641                 |   |
| Care Centers of Indiana - Clark                           | 1/1/2003              | 61,666                                       | 1,542                          | 500                                    | 4,615            | 0  | 0                                  | 2,814                  | 67,823  |
| Clark   | 3/1/2004              | 46,440                                       | 1,058                          | 0                                      | 0                | 0  | (4,128)                            | 1,866                  | 43,370  |
| Cloverleaf Healthcare                                     | 10/1/2003             | 41,303                                       | 1,033                          | 500                                    | 2,924            | 0  | 0                                  | 1,549                  | 45,260  |
| Cloverleaf  | 3/1/2004              | 29,240                                       | 673                            | 0                                      | 0                | 0  | (2,339)                            | 1,087                  | 27,574  |
| Care Centers of Indiana - Community Nursing               | 1/1/2003              | 61,666                                       | 1,542                          | 500                                    | 4,615            | 0  | 0                                  | 2,814                  | 67,823  |
| Community Village, Inc.                                   | 3/2/2004              | 71,400                                       | 1,785                          | 750                                    | 0                | 0  | 0                                  | 2,856                  | 73,185  |
| Core Associates   | 4/3/2003              | 39,504                                       | 988                            | 500                                    | 5,000            | 0  | 0                                  | 1,639                  | 45,492  |
| Core Associates   | 3/1/2004              | 45,900                                       | 1,148                          | 2,250                                  | 0                | 0  | 0                                  | 1,836                  | 47,048  |
| Quality Healthcare (Country Care)                         | 9/1/2003              | 40,726                                       | 1,018                          | 500                                    | 4,000            | 0  | 0                                  | 1,527                  | 45,744  |
| Country Care  | 3/1/2004              | 27,250                                       | 627                            | 0                                      | 0                | 0  | (2,180)                            | 679                    | 25,697  |
| Crestmark of Rosedawn, LLC                                | 12/15/2003            | 72,550                                       | 1,814                          | 500                                    | 6,008            | 0  | 0                                  | 3,083                  | 80,372  |
| Crestmark of Rosedawn                                     | 3/1/2004              | 60,075                                       | 1,368                          | 0                                      | 0                | 0  | (5,340)                            | 2,401                  | 56,103  |
| Care Centers of Indiana - Dyer                            | 1/1/2003              | 55,213                                       | 1,380                          | 500                                    | 4,615            | 0  | 0                                  | 2,519                  | 61,208  |
| Dyer  | 3/1/2004              | 41,580                                       | 947                            | 0                                      | 0                | 0  | (3,696)                            | 1,673                  | 38,831  |
| Care Centers of Indiana - East Lake                       | 1/1/2003              | 82,222                                       | 2,056                          | 500                                    | 4,615            | 0  | 0                                  | 3,751                  | 88,893  |
| East Lake   | 3/1/2004              | 61,920                                       | 1,410                          | 0                                      | 0                | 0  | (5,304)                            | 2,491                  | 57,826  |
| George Ade Memorial Health Care Center, Inc.              | 5/8/2003              | 21,821                                       | 546                            | 500                                    | 2,680            | 0  | 0                                  | 859                    | 25,046  |
| George Ade Memorial Home                                  | 3/1/2004              | 28,475                                       | 712                            | 750                                    | 0                | 0  | 0                                  | 1,139                  | 29,187  |
| Greystone   | 10/3/2003             | 205,445                                      | 5,136                          | 5,000                                  | 30,000           | 0  | 0                                  | 7,704                  | 240,581   |
| Greystone   | 3/1/2004              | 154,400                                      | 3,551                          | 0                                      | 0                | 0  | (12,352)                           | 0                      | 145,599   |
| Eagle Care - HCA  | 3/1/2004              | 650,450                                      | 16,261                         | 9,750                                  | 0                | 0  | 0                                  | 26,018                 | 666,711   |
| Health & Hospital (Eagle Care, PC New)                    | 12/1/2003             | 325,197                                      | 8,130                          | 2,500                                  | 0                | 0  | 0                                  | 8,137                  | 333,327   |

Exhibit 1  
Page 2 of 3

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company

| Calculation of Total Premium                       |                       |                            |                      |                              |           |                                |                          |                 |  |
|--|-----------------------|----------------------------|----------------------|------------------------------|-----------|--------------------------------|--------------------------|-----------------|--|
| (1)  | (2)                   | (3)                        | (4)                  | (5)                          | (6)       | (7)                            | (8)                      | (9)             | (10)   |
| Named Insured                                      | Policy Effective Date | Calculated PL & GL Premium | Excess & Surplus Tax | Membership/ Buying Group Fee | Agent Fee | Risk Management Debit (Credit) | Expense Reduction Credit | Installment Fee | Milliman Calculated Total Premium <sup>1</sup> |
| Health & Hospitals Acquired Locations (Eagle Care) | 3/1/2004              | 260,300                    | 5,987                | 0                            | 0         | 0                              | (20,824)                 | 0               | 245,463  |
| St. Clair Darden Health - Heathlawn                | 7/21/2003             | 72,171                     | 1,804                | 750                          | 0         | 0                              | 0                        | 0               | 73,975   |
| Indianapolis Jewish Home dba Hooverwood            | 10/1/2003             | 27,402                     | 685                  | 0                            | 2,740     | 0                              | 0                        | 1,096           | 30,827   |
| Indianapolis Jewish Home                           | 3/1/2004              | 70,300                     | 1,617                | 0                            | 0         | 0                              | (5,624)                  | 0               | 66,293   |
| Kendallville Manor                                 | 10/1/2003             | 35,173                     | 879                  | 500                          | 2,490     | 0                              | 0                        | 1,319           | 38,542   |
| Care Centers of Indiana - Lake County              | 11/1/2003             | 62,594                     | 1,567                | 500                          | 4,615     | 0                              | 0                        | 2,860           | 68,876   |
| Care Centers of Indiana - Lake County              | 3/1/2004              | 23,736                     | 1,180                | 0                            | 4,615     | 0                              | 0                        | 0               | 29,532   |
| Lakeview Manor                                     | 10/1/2003             | 51,523                     | 1,288                | 500                          | 3,648     | 0                              | 0                        | 1,932           | 56,459   |
| Lake Park Residential Care, Inc.                   | 3/1/2004              | 36,475                     | 839                  | 0                            | 0         | 0                              | (2,918)                  | 1,288           | 34,396   |
| Lake Park Residential                              | 10/1/2003             | 25,026                     | 626                  | 500                          | 6,026     | 0                              | 0                        | 938             | 31,678   |
| Manderley Nursing Home, Inc.                       | 3/1/2004              | 52,400                     | 1,310                | 750                          | 0         | 0                              | 0                        | 0               | 53,710   |
| Manderley Nursing Home, Inc.                       | 6/15/2003             | 18,157                     | 454                  | 500                          | 2,556     | 0                              | 0                        | 724             | 21,167   |
| MHC, Inc. & Markle Health Care                     | 3/1/2004              | 30,175                     | 868                  | 750                          | 0         | 4,526                          | 0                        | 1,388           | 35,569   |
| 6/20/2003  | 17,418                | 435                        | 500                  | 2,500                        | 0         | 0                              | 0                        | 732             | 20,353   |
| 7/1/2003   | 11,667                | 292                        | 500                  | 1,750                        | 0         | 0                              | 0                        | 467             | 13,709   |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home  | 3/1/2004              | 15,000                     | 375                  | 750                          | 0         | 0                              | 0                        | 600             | 15,375   |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home  | 11/1/2004             | 106,482                    | 2,662                | 2,000                        | 11,004    | 0                              | 0                        | 3,993           | 120,148  |
| Mid-South (Adventist)                              | 3/1/2004              | 91,700                     | 2,109                | 0                            | 0         | 0                              | 0                        | 0               | 93,809   |
| Care Centers of Indiana - Midtown                  | 11/1/2003             | 78,624                     | 1,966                | 500                          | 4,615     | 0                              | 0                        | 0               | 85,205   |
| Milner Community Health Care, Inc.                 | 7/15/2003             | 16,213                     | 405                  | 500                          | 2,380     | 0                              | 0                        | 631             | 19,198   |
| 3/1/2004   | 23,700                | 593                        | 750                  | 0                            | 0         | 0                              | 0                        | 948             | 24,293   |
| 11/1/2003  | 27,750                | 694                        | 500                  | 4,615                        | 0         | 0                              | 0                        | 953             | 33,059   |
| 3/1/2004   | 20,898                | 476                        | 0                    | 0                            | 0         | 0                              | (1,858)                  | 840             | 19,516   |
| 3/1/2004   | 26,600                | 665                        | 750                  | 0                            | 0         | 0                              | 0                        | 1,064           | 27,265   |
| 8/1/2003   | 36,202                | 905                        | 500                  | 3,500                        | 0         | 0                              | 0                        | 40,607          | 44,356   |
| 3/1/2004   | 65,900                | 1,648                      | 750                  | 0                            | 0         | 0                              | 0                        | 2,636           | 67,548   |
| 10/1/2003  | 25,426                | 636                        | 500                  | 2,500                        | 0         | 0                              | 0                        | 0               | 28,562   |
| 3/1/2004   | 18,000                | 414                        | 0                    | 0                            | 0         | 0                              | (1,440)                  | 529             | 16,974   |
| 12/31/2003   | 32,031                | 801                        | 500                  | 3,302                        | 0         | 0                              | 0                        | 1,320           | 36,134   |
| 3/1/2004   | 27,520                | 520                        | 0                    | 0                            | 0         | 0                              | (6,715)                  | 721             | 21,125   |
| 11/1/2003  | 78,624                | 1,966                      | 500                  | 4,615                        | 0         | 0                              | 0                        | 3,587           | 85,205   |
| 11/1/2003  | 92,499                | 2,312                      | 500                  | 4,615                        | 0         | 0                              | 0                        | 4,220           | 99,426   |
| 3/1/2004   | 69,660                | 1,387                      | 0                    | 0                            | 0         | 0                              | (6,192)                  | 803             | 65,055   |
| 7/1/2003   | 33,120                | 828                        | 500                  | 4,968                        | 0         | 0                              | 0                        | 0               | 38,916   |
| 3/1/2004   | 55,200                | 1,380                      | 750                  | 0                            | 0         | 0                              | 0                        | 2,208           | 56,580   |
| 11/1/2003  | 25,561                | 639                        | 500                  | 2,310                        | 0         | 0                              | 0                        | 959             | 32,510   |
| 3/1/2004   | 19,250                | 443                        | 0                    | 0                            | 0         | 0                              | (1,540)                  | 639             | 18,153   |
| 10/1/2003  | 33,619                | 840                        | 500                  | 2,380                        | 0         | 0                              | 0                        | 0               | 36,839   |
| 3/1/2004   | 23,800                | 547                        | 0                    | 0                            | 0         | 0                              | (1,904)                  | 0               | 22,443   |
| 8/1/2003   | 56,850                | 1,421                      | 0                    | 5,685                        | 0         | 0                              | 0                        | 2,331           | 63,956   |
| 3/1/2004   | 35,900                | 826                        | 0                    | 0                            | 0         | 0                              | (2,872)                  | 708             | 33,854   |
| 10/1/2003  | 12,939                | 323                        | 500                  | 916                          | 0         | 0                              | 0                        | 485             | 14,178   |
| 3/1/2004   | 9,160                 | 211                        | 0                    | 0                            | 0         | 0                              | (733)                    | 0               | 8,638  |
| 10/1/2003  | 11,524                | 288                        | 500                  | 819                          | 0         | 0                              | 0                        | 432             | 12,631   |
| 3/1/2004   | 8,190                 | 188                        | 0                    | 0                            | 0         | 0                              | (655)                    | 240             | 7,723  |

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company

Calculation of Total Premium

| (1)  | (2)                   | (3)                     | (4)                  | (5)                          | (6)       | (7)                            | (8)                      | (9)             | (10)   |
|--|-----------------------|-------------------------|----------------------|------------------------------|-----------|--------------------------------|--------------------------|-----------------|--|
| Named Insured  | Policy Effective Date | Arch Calculated Premium | Excess & Surplus Tax | Membership/ Buying Group Fee | Agent Fee | Risk Management Debit (Credit) | Expense Reduction Credit | Installment Fee | Milliman Calculated Total Premium <sup>1</sup> |
| Ripley Crossing  | 3/1/2004              | 17,350                  | 439                  | 750                          | 0         | 0                              | 0                        | 702             | 17,989   |
| Robert E. Lee Retirement Inn                               | 3/1/2004              | 47,610                  | 1,190                | 750                          | 0         | 0                              | 0                        | 1,904           | 48,800   |
| Robert E. Lee Investors, Inc. dba Robert E. Lee Healthplex | 8/1/2003              | 26,398                  | 660                  | 500                          | 4,536     | 0                              | 0                        | 1,079           | 31,594   |
| Scott County Nursing and Wellness Center dba Bacala        | 4/1/2004              | 49,500                  | 1,238                | 750                          | 0         | 0                              | 0                        | 1,980           | 50,738   |
| Care Centers of Indiana - Sebo's                           | 11/1/2003             | 70,916                  | 1,773                | 500                          | 4,615     | 0                              | 0                        | 3,236           | 77,304   |
| Sebo's Shamrock Gardens                                    | 3/1/2004              | 53,406                  | 1,216                | 0                            | 0         | 0                              | (4,747)                  | 2,148           | 49,875   |
| Shamrock Gardens   | 4/22/2004             | 29,750                  | 744                  | 750                          | 0         | 0                              | 0                        | 0               | 30,494   |
| Simmons Loving Care  | 10/7/2003             | 20,873                  | 522                  | 500                          | 1,495     | 0                              | 0                        | 783             | 22,890   |
| Simmons Loving Care  | 3/1/2004              | 14,950                  | 344                  | 0                            | 0         | 0                              | 0                        | 435             | 15,294   |
| Southwind Healthcare, Inc.                                 | 10/1/2003             | 58,622                  | 1,466                | 500                          | 4,980     | 0                              | 0                        | 2,198           | 65,068   |
| Southwind Healthcare, Inc.                                 | 3/1/2004              | 41,500                  | 955                  | 0                            | 0         | 0                              | (3,320)                  | 1,508           | 39,135   |
| Springfield Healthcare Center                              | 10/1/2003             | 35,314                  | 883                  | 500                          | 2,500     | 0                              | 0                        | 1,324           | 38,697   |
| Springfield Healthcare                                     | 3/1/2004              | 25,000                  | 575                  | 0                            | 0         | 0                              | (2,000)                  | 1,135           | 23,375   |
| Summit Place West, Inc.                                    | 9/1/2003              | 18,316                  | 458                  | 300                          | 1,226     | 0                              | 0                        | 733             | 20,000   |
| Summit Place West  | 3/1/2004              | 12,255                  | 282                  | 0                            | 0         | 0                              | (980)                    | 0               | 11,557   |
| Good Samaritan Home  | 10/1/2003             | 45,343                  | 1,134                | 500                          | 3,852     | 0                              | 0                        | 1,700           | 50,329   |
| Good Samaritan   | 3/1/2004              | 32,100                  | 738                  | 0                            | 0         | 0                              | (2,568)                  | 1,190           | 30,270   |
| Trilogy  | 3/1/2004              | 489,996                 | 12,250               | 15,000                       | 0         | 0                              | 0                        | 19,600          | 502,246  |
| Cambridge House  | 7/1/2003              | 79,348                  | 1,984                | 500                          | 7,935     | 0                              | 0                        | 0               | 89,267   |
| Tutera Healthcare dba Cambridge Manor                      | 7/1/2004              | 64,350                  | 1,448                | 750                          | 0         | 0                              | 0                        | 0               | 65,798   |
| Care Centers of Indiana - Valparaiso                       | 11/1/2003             | 98,666                  | 2,467                | 500                          | 4,615     | 0                              | 0                        | 4,502           | 105,748  |
| Valparaiso Care  | 3/1/2004              | 74,304                  | 1,692                | 0                            | 0         | 0                              | (6,605)                  | 2,988           | 69,391   |
| Van Ness, Spaugh & Smith                                   | 10/1/2003             | 176,854                 | 4,421                | 500                          | 12,320    | 0                              | 0                        | 6,632           | 193,795  |
| Van Ness, Spaugh   | 3/1/2004              | 125,200                 | 2,880                | 0                            | 0         | 0                              | (10,016)                 | 0               | 118,064  |
| Wellington Manor   | 12/1/2003             | 66,291                  | 1,657                | 500                          | 6,528     | 0                              | 0                        | 2,486           | 74,476   |
| Wellington Manor   | 3/1/2004              | 54,400                  | 1,251                | 0                            | 0         | 0                              | (4,352)                  | 2,208           | 51,299   |
| IPC & Willow Manor Investors, LLC                          | 3/1/2004              | 43,575                  | 1,089                | 750                          | 0         | 0                              | 0                        | 1,743           | 44,664   |
| Zionsville Meadows   | 11/7/2003             | 97,246                  | 2,431                | 500                          | 8,898     | 0                              | 0                        | 3,647           | 108,375  |
| Zionsville Manor   | 3/1/2004              | 74,150                  | 1,705                | 0                            | 0         | 0                              | (5,932)                  | 2,431           | 69,923   |
| Total  |                       | 7,926,673               | 195,270              | 102,250                      | 261,259   | 24,069                         | (142,432)                | 281,239         | 8,264,839                                      |

<sup>1</sup> Calculated as  $\{(3) + (4) + (6) + (7) + (8)\}$

**Exhibit 2**  
**Page 1 of 3**

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company  
Calculation of PCF Stucharges Due

| (1)   | (2)        | (3)                   | (4)       | (5)                    | (6)     | (7)   | (8)     | (9)  | (10)    | (11)   | (12)    |
|---|------------|-----------------------|-----------|------------------------|---------|---|---------|--|---------|--|---------|
| Calculation of PCF Stucharges Due                         |            |                       |           |                        |         |   |         |  |         |  |         |
| Named Insured   |            | Policy Effective Date |           | Policy Expiration Date |         | Milliman Calculated Premium Excluding General Liability Coverage <sup>1</sup> |         | Milliman Calculated Premium Excluding GL Coverage & Independent Living Beds <sup>2</sup> |         | Milliman Calculated PCF Stucharge <sup>3</sup> |         |
| Alison Healthcare Corporation                             | 3/1/2004   | 3/1/2004              | 9/1/2004  | 7.124                  | 7.34    | 6.412   | 6.412   | 7.334  | 7.334   | 1,000  | 1,000   |
| Alphon Home, Inc.   | 5/1/2003   | 3/1/2004              | 9/1/2004  | 8.372                  | 7.819   | 34,055  | 34,055  | 34,055   | 34,055  | 0.504  | 0.504   |
| Alpha Homes   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 40,461                 | 36,415  | 36,415  | 36,415  | 36,415   | 36,415  | 1,000  | 1,000   |
| American Senior Communities                               | 5/1/2003   | 3/1/2004              | 9/1/2004  | 45,391                 | 40,852  | 40,852  | 32,866  | 32,866   | 32,866  | 18,357   | 18,357  |
| American Senior Communities                               | 3/1/2004   | 3/1/2005              | 9/1/2004  | 52,757                 | 47,481  | 47,481  | 38,813  | 38,813   | 38,813  | 1,000  | 1,000   |
| Harrison Healthcare dba American Village Retirement       | 3/1/2004   | 3/1/2005              | 9/1/2004  | 86,295                 | 77,666  | 77,666  | 66,394  | 66,394   | 66,394  | 19,566   | 19,566  |
| Archer Consultation                                       | 4/1/2004   | 4/1/2005              | 9/1/2004  | 92,874                 | 83,587  | 83,587  | 83,587  | 83,587   | 83,587  | 0.504  | 0.504   |
| Bethany Village Nursing Home                              | 3/1/2004   | 3/1/2005              | 9/1/2004  | 51,250                 | 46,125  | 46,125  | 46,125  | 46,125   | 46,125  | 1,000  | 1,000   |
| Bethany Assisted Living                                   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 36,644                 | 32,980  | 32,980  | 32,980  | 32,980   | 32,980  | 0.504  | 0.504   |
| Care Centers of Indiana - Bethlehem                       | 11/1/2003  | 3/1/2004              | 12/1/2003 | 57,289                 | 51,360  | 51,360  | 51,360  | 51,360   | 51,360  | 1,000  | 1,000   |
| Betz Nursing Home   | 12/1/2003  | 3/1/2005              | 3/1/2004  | 40,968                 | 36,871  | 36,871  | 36,871  | 36,871   | 36,871  | 0.200  | 0.200   |
| Betz Nursing Home   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 27,653                 | 24,888  | 24,888  | 24,888  | 24,888   | 24,888  | 0.504  | 0.504   |
| Broder Village Health Care Center                         | 3/1/2004   | 3/1/2005              | 9/1/2004  | 88,716                 | 79,844  | 79,844  | 77,585  | 77,585   | 77,585  | 12,546   | 12,546  |
| Brookville Healthcare, Inc. dba Biste Dreyer Nursing Home | 9/1/2003   | 3/1/2004              | 3/1/2004  | 6,367                  | 5,720   | 5,720   | 5,720   | 5,720  | 5,720   | 0  | 0       |
| Brookville Healthcare, Inc.                               | 3/1/2004   | 3/1/2005              | 9/1/2004  | 11,614                 | 10,452  | 10,452  | 10,452  | 10,452   | 10,452  | 1,000  | 1,000   |
| Business Support Services, Inc.                           | 3/1/2004   | 3/1/2005              | 9/1/2004  | 259,702                | 233,732 | 233,732   | 233,732 | 233,732  | 233,732 | 0.504  | 0.504   |
| Byron Healthcare Center                                   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 78,387                 | 70,548  | 70,548  | 65,811  | 65,811   | 65,811  | 1,000  | 1,000   |
| Care Centers of Indiana - Cardinal                        | 11/1/2003  | 3/1/2005              | 12/1/2003 | 157,895                | 142,106 | 142,106   | 142,106 | 142,106  | 142,106 | 0.062  | 0.062   |
| Caron   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 216,187                | 212,368 | 212,368   | 202,583 | 202,583  | 202,583 | 8,772  | 8,772   |
| Careers of Logansport, Inc. dba Chase Nursing & Rehab Ctr | 10/10/2003 | 3/1/2005              | 3/1/2004  | 167,890                | 151,101 | 151,101   | 151,101 | 151,101  | 151,101 | 102,124  | 102,124 |
| Careers of Logansport                                     | 3/1/2004   | 3/1/2005              | 9/1/2004  | 100,289                | 90,260  | 90,260  | 90,260  | 90,260   | 90,260  | 5,730  | 5,730   |
| Caron   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 81,641                 | 73,477  | 73,477  | 73,477  | 73,477   | 73,477  | 0.504  | 0.504   |
| Care Centers of Indiana - Clark                           | 11/1/2003  | 3/1/2005              | 3/1/2004  | 67,823                 | 61,041  | 61,041  | 61,041  | 61,041   | 61,041  | 1,000  | 1,000   |
| Cloverleaf Healthcare                                     | 3/1/2004   | 3/1/2005              | 9/1/2004  | 39,370                 | 39,033  | 39,033  | 39,033  | 39,033   | 39,033  | 0.504  | 0.504   |
| Cloverleaf  | 10/1/2003  | 3/1/2005              | 3/1/2004  | 45,260                 | 40,734  | 40,734  | 40,734  | 40,734   | 40,734  | 19,677   | 19,677  |
| Care Centers of Indiana - Community Nursing               | 3/1/2004   | 3/1/2005              | 9/1/2004  | 22,574                 | 24,817  | 24,817  | 24,817  | 24,817   | 24,817  | 0.504  | 0.504   |
| Community Village, Inc.                                   | 11/1/2003  | 3/1/2005              | 12/1/2003 | 67,823                 | 61,041  | 61,041  | 61,041  | 61,041   | 61,041  | 1,000  | 1,000   |
| Carmel Care Center  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 81,641                 | 73,477  | 73,477  | 73,477  | 73,477   | 73,477  | 0.504  | 0.504   |
| Care Centers of Indiana - Clark                           | 3/1/2004   | 3/1/2005              | 9/1/2004  | 67,823                 | 61,041  | 61,041  | 61,041  | 61,041   | 61,041  | 1,000  | 1,000   |
| Cloverleaf  | 10/1/2003  | 3/1/2005              | 3/1/2004  | 45,260                 | 40,734  | 40,734  | 40,734  | 40,734   | 40,734  | 0.504  | 0.504   |
| Care Centers of Indiana - East Lake                       | 3/1/2004   | 3/1/2005              | 9/1/2004  | 22,574                 | 24,817  | 24,817  | 24,817  | 24,817   | 24,817  | 0.504  | 0.504   |
| Community Nursing   | 11/1/2003  | 3/1/2005              | 12/1/2003 | 67,823                 | 61,041  | 61,041  | 61,041  | 61,041   | 61,041  | 1,000  | 1,000   |
| Contunuity Village, Inc.                                  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 65,867                 | 55,422  | 55,422  | 55,422  | 55,422   | 55,422  | 0.504  | 0.504   |
| Core Associates   | 4/30/2003  | 3/1/2004              | 4/1/2003  | 40,943                 | 40,943  | 40,943  | 40,943  | 40,943   | 40,943  | 0.000  | 0.000   |
| Core Associates   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 42,343                 | 42,343  | 42,343  | 42,343  | 42,343   | 42,343  | 1,000  | 1,000   |
| Quality Healthcare (Country Care)                         | 9/1/2003   | 3/1/2005              | 3/1/2004  | 45,744                 | 41,170  | 41,170  | 41,170  | 41,170   | 41,170  | 0.504  | 0.504   |
| Country Care  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 25,697                 | 23,127  | 23,127  | 23,127  | 23,127   | 23,127  | 0.333  | 0.333   |
| Crestmark of Rosedawn, LLC                                | 12/15/2003 | 3/1/2005              | 3/1/2004  | 72,335                 | 72,335  | 72,335  | 72,335  | 72,335   | 72,335  | 0.504  | 0.504   |
| George Ade Memorial Health Care Center, Inc.              | 3/1/2004   | 3/1/2005              | 9/1/2004  | 56,103                 | 50,493  | 50,493  | 50,493  | 50,493   | 50,493  | 1,000  | 1,000   |
| George Ade Memorial Home                                  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 61,208                 | 55,088  | 55,088  | 55,088  | 55,088   | 55,088  | 0.504  | 0.504   |
| Grystone  | 11/1/2003  | 3/1/2004              | 3/1/2004  | 47,048                 | 42,343  | 42,343  | 42,343  | 42,343   | 42,343  | 1,000  | 1,000   |
| Eagle Care • HCA  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 45,744                 | 41,170  | 41,170  | 41,170  | 41,170   | 41,170  | 0.504  | 0.504   |
| Eagle Care • HCA  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 66,671                 | 60,004  | 60,004  | 80,004  | 80,004   | 80,004  | 1,000  | 1,000   |
| Health & Hospital (Eagle Care, PC New)                    | 12/1/2003  | 3/1/2005              | 3/1/2004  | 57,826                 | 52,044  | 52,044  | 52,044  | 52,044   | 52,044  | 0.504  | 0.504   |
| George Ade Memorial Health Care Center, Inc.              | 5/1/2003   | 3/1/2004              | 3/1/2004  | 22,542                 | 22,542  | 22,542  | 22,542  | 22,542   | 22,542  | 0.504  | 0.504   |
| George Ade Memorial Home                                  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 29,187                 | 26,268  | 26,268  | 26,268  | 26,268   | 26,268  | 1,000  | 1,000   |
| Grystone  | 10/31/2003 | 3/1/2004              | 3/1/2004  | 240,581                | 216,523 | 216,523   | 216,523 | 216,523  | 216,523 | 0.504  | 0.504   |
| Eagle Care • HCA  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 145,599                | 131,039 | 131,039   | 131,039 | 131,039  | 131,039 | 0.504  | 0.504   |
| East Lake   | 3/1/2004   | 3/1/2005              | 9/1/2004  | 66,671                 | 60,040  | 60,040  | 59,091  | 59,091   | 59,091  | 0.504  | 0.504   |
| George Ade Memorial Health Care Center, Inc.              | 5/1/2003   | 3/1/2004              | 3/1/2004  | 22,542                 | 22,542  | 22,542  | 22,542  | 22,542   | 22,542  | 0.504  | 0.504   |
| George Ade Memorial Home                                  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 29,187                 | 26,268  | 26,268  | 26,268  | 26,268   | 26,268  | 1,000  | 1,000   |
| Grystone  | 10/31/2003 | 3/1/2004              | 3/1/2004  | 240,581                | 216,523 | 216,523   | 216,523 | 216,523  | 216,523 | 0.504  | 0.504   |
| Eagle Care • HCA  | 3/1/2004   | 3/1/2005              | 9/1/2004  | 145,599                | 131,039 | 131,039   | 131,039 | 131,039  | 131,039 | 0.504  | 0.504   |
| Health & Hospital (Eagle Care, PC New)                    | 12/1/2003  | 3/1/2005              | 3/1/2004  | 333,327                | 299,994 | 299,994   | 299,994 | 299,994  | 299,994 | 0.200  | 0.200   |
|   |            |                       |           |                        |         |   |         |  |         | 59,867   | 59,867  |
|   |            |                       |           |                        |         |   |         |  |         | 25,673   | 25,673  |

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company

Calculation of PCF Surcharge Due

| (1)   | (2)            | (3)             | (4)             | (5)               | (6)           | (7)   | (8)  | (9)  | (10)  | (11)                   | (12)                    |
|---|----------------|-----------------|-----------------|-------------------|---------------|---|--|--|---|------------------------|-------------------------|
| Named Insured                                       | Policy         | Policy          | Expiration Date | Cancellation Date | Total Premium | Premium Excluding General Liability Coverage <sup>1</sup> | Premium Excluding GL Coverage & Independent Living Beds <sup>2</sup> | Milliman Calculated PCF Surcharge <sup>3</sup> | Milliman Calculated PCF Surcharge Adjusted for Cancellations <sup>4</sup> | PCF Surcharge Remitted | Difference <sup>5</sup> |
|   | Effective Date | Expiration Date |                 |                   | Calculated    | Calculated  | Calculated   | Calculated                                     | Calculated  | Earned                 |                         |
| Health & Hospital 5 Acquired Locations (Engle Care) | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 245,463       | 220,917   | 220,917  | 220,917  | 220,917   | 0                      | 111,366                 |
| St. Clair Darden Health / Heathwin                  | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 73,975        | 66,578  | 66,578   | 66,578   | 66,578  | 0,504                  | 29,799                  |
| Indianapolis Jewish Homes dba Hooverwood            | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 30,827        | 27,744  | 27,744   | 27,744   | 27,744  | 1,000                  | 8,277                   |
| Kendallville Manor                                  | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 65,293        | 59,664  | 59,664   | 59,664   | 59,664  | 0,504                  | 19,467                  |
| Care Centers of Indiana - Lake County               | 10/1/2003      | 10/1/2005       | 3/1/2004        | 3/1/2004          | 38,542        | 34,688  | 34,688   | 34,688   | 34,688  | 1,000                  | 30,077                  |
| Care Centers of Indiana - Lake County               | 11/1/2003      | 11/1/2005       | 3/1/2004        | 3/1/2004          | 68,876        | 61,989  | 61,989   | 61,989   | 61,989  | 0                      | 5,841                   |
| Lakeview Manor                                      | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 29,532        | 26,579  | 26,579   | 26,579   | 26,579  | 0,249                  | 12,342                  |
| Lakeview Manor                                      | 10/1/2003      | 10/1/2005       | 3/1/2004        | 3/1/2004          | 56,459        | 50,813  | 50,813   | 50,813   | 50,813  | 0,294                  | 26,579                  |
| Lake Park Residential Care, Inc.                    | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 34,396        | 30,956  | 30,956   | 30,956   | 30,956  | 0                      | 7,387                   |
| Lake Park Residential                               | 10/1/2003      | 10/1/2005       | 3/1/2004        | 3/1/2004          | 31,678        | 28,510  | 28,510   | 28,510   | 28,510  | 1,000                  | 15,605                  |
| Manderley Nursing Home, Inc.                        | 6/15/2003      | 6/15/2005       | 3/1/2004        | 3/1/2004          | 53,710        | 48,339  | 48,339   | 48,339   | 48,339  | 0                      | 27,720                  |
| Manditory Nursing Home, Inc.                        | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 21,167        | 19,050  | 19,050   | 19,050   | 19,050  | 0                      | 3,302                   |
| MHC, Inc. & Marde Health Care                       | 6/20/2003      | 6/20/2005       | 3/1/2004        | 3/1/2004          | 35,569        | 32,012  | 32,012   | 32,012   | 32,012  | 0,504                  | 16,528                  |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home   | 7/1/2003       | 7/1/2004        | 3/1/2004        | 3/1/2004          | 20,353        | 18,318  | 18,318   | 18,318   | 18,318  | 1,000                  | 14,348                  |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home   | 7/1/2003       | 7/1/2004        | 13,709          | 12,338            | 12,338        | 12,338  | 12,338   | 12,338   | 12,338  | 1,000                  | 14,344                  |
| Mid-South Nursing Home, Inc.                        | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 15,175        | 13,838  | 13,838   | 13,838   | 13,838  | 0,504                  | 10,671                  |
| Milton Community NH                                 | 11/1/2003      | 11/1/2005       | 3/1/2004        | 3/1/2004          | 120,148       | 108,133   | 108,133  | 108,133  | 108,133   | 0,141                  | 5,968                   |
| Milner Community Health Care, Inc.                  | 7/15/2003      | 7/15/2005       | 12/1/2003       | 12/1/2003         | 85,205        | 76,685  | 76,685   | 76,685   | 76,685  | 0,062                  | 15,212                  |
| Miller Community NH                                 | 3/1/2004       | 3/1/2005        | 19/1/2004       | 19/1/2004         | 19,198        | 17,200  | 17,200   | 17,200   | 17,200  | 0                      | 5,421                   |
| Miller Community NH                                 | 3/1/2004       | 3/1/2005        | 24,293          | 21,864            | 21,617        | 21,617  | 21,617   | 21,617   | 21,617  | 1,000                  | 4,351                   |
| Miller Community NH                                 | 11/1/2003      | 11/1/2005       | 3/1/2004        | 3/1/2004          | 33,059        | 29,733  | 29,733   | 29,733   | 29,733  | 1,000                  | 15,261                  |
| Milton Home   | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 19,516        | 17,564  | 17,564   | 17,564   | 17,564  | 0,504                  | 8,376                   |
| Morganstown Healthcare                              | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 27,655        | 24,539  | 24,539   | 24,539   | 24,539  | 0,504                  | 5,968                   |
| Mulberry Healthcare                                 | 8/1/2003       | 8/1/2005        | 3/1/2004        | 3/1/2004          | 40,607        | 36,546  | 36,546   | 36,546   | 36,546  | 0,062                  | 15,212                  |
| Mulberry Healthcare                                 | 3/1/2004       | 3/1/2005        | 67,548          | 60,793            | 60,793        | 60,793  | 60,793   | 60,793   | 60,793  | 1,000                  | 15,261                  |
| New Age Healthcare                                  | 10/1/2003      | 10/1/2005       | 3/1/2004        | 3/1/2004          | 28,562        | 25,706  | 25,706   | 25,706   | 25,706  | 0,294                  | 10,897                  |
| New Age Healthcare                                  | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 16,974        | 15,277  | 15,277   | 15,277   | 15,277  | 0,504                  | 7,701                   |
| Newburgh Healthcare                                 | 12/31/2003     | 12/31/2005      | 3/1/2004        | 3/1/2004          | 36,134        | 32,521  | 32,521   | 32,521   | 32,521  | 1,000                  | 5,229                   |
| Newburgh Healthcare                                 | 3/1/2004       | 3/1/2005        | 21,325          | 19,193            | 19,193        | 19,193  | 19,193   | 19,193   | 19,193  | 0                      | 1,729                   |
| Care Centers of Indiana - North Capitol             | 11/1/2003      | 11/1/2005       | 12/1/2003       | 12/1/2003         | 83,205        | 76,685  | 76,685   | 76,685   | 76,685  | 0,062                  | 11,362                  |
| Care Centers of Indiana - Northgate                 | 11/1/2003      | 11/1/2005       | 3/1/2004        | 3/1/2004          | 99,426        | 89,484  | 89,484   | 89,484   | 89,484  | 0,000                  | 10,098                  |
| Northgate   | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 65,055        | 58,549  | 58,549   | 58,549   | 58,549  | 0,504                  | 5,005                   |
| NWM, Inc. dba NorthWest Manor Healthcare Center     | 7/1/2003       | 7/1/2005        | 3/1/2004        | 3/1/2004          | 38,916        | 35,024  | 35,024   | 35,024   | 35,024  | 1,000                  | 30,424                  |
| NWM, Inc. dba NorthWest Manor Healthcare Center     | 3/1/2004       | 3/1/2005        | 9/1/2004        | 9/1/2004          | 56,380        | 50,922  | 50,922   | 50,922   | 50,922  | 0,504                  | 4,600                   |
| Oak Grove Christian Retirement Village              | 11/1/2003      | 11/1/2005       | 3/1/2004        | 3/1/2004          | 28,510        | 25,659  | 25,659   | 25,659   | 25,659  | 0,504                  | 2,428                   |
| Owensville Convalescent Center                      | 10/1/2003      | 10/1/2005       | 9/1/2004        | 9/1/2004          | 18,153        | 16,338  | 16,338   | 16,338   | 16,338  | 0,504                  | 3,294                   |
| Owensville Convalescent Center                      | 3/1/2004       | 3/1/2005        | 36,339          | 33,155            | 33,155        | 33,155  | 33,155   | 33,155   | 33,155  | 0,294                  | 8,236                   |
| Interfa Care - Pinelhurst                           | 8/1/2003       | 8/1/2005        | 9/1/2004        | 9/1/2004          | 22,443        | 20,199  | 20,199   | 20,199   | 20,199  | 0,504                  | 4,045                   |
| Pinelhurst  | 3/1/2004       | 3/1/2005        | 63,956          | 57,560            | 57,560        | 57,560  | 57,560   | 57,560   | 57,560  | 0,369                  | 6,672                   |
| Rathbone Retirement Community                       | 10/1/2003      | 10/1/2005       | 3/1/2004        | 14,178            | 12,760        | 12,760  | 12,760   | 12,760   | 12,760  | 0                      | 2,192                   |
| Rathbone  | 3/1/2004       | 3/1/2005        | 9/1/2004        | 8,638             | 7,774         | 7,774   | 7,774  | 7,774  | 7,774   | 0                      | 1,340                   |
| Residential Care VIII, LLC dba Riverbend            | 10/3/2003      | 10/3/2005       | 3/1/2004        | 12,631            | 11,368        | 11,368  | 11,368   | 11,368   | 11,368  | 631                    | 631                     |
| Riverbend   | 3/1/2004       | 3/1/2005        | 9/1/2004        | 6,951             | 6,951         | 6,951   | 6,951  | 6,951  | 6,951   | 0                      | 2,510                   |

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company

Calculation of PCF Surcharges Due

| (1)  | (2)                   | (3)                    | (4)    | (5)                               | (6)   | (7)  | (8)   | (9)  | (10)                    | (11)                    | (12) |
|--|-----------------------|------------------------|--------|-----------------------------------|---|--|---|--|-------------------------|-------------------------|------|
| Named Insured  | Policy Effective Date | Policy Expiration Date | Policy | Milliman Calculated Total Premium | Premium Excluding General Liability Coverage <sup>1</sup> | Premium Excluding GL Coverage & Independent Living Beds <sup>2</sup> | Milliman Calculated PCF Surcharges <sup>3</sup> | Milliman Calculated PCF Surcharges Adjusted for Cancellations <sup>4</sup> | PCF Surcharges Remitted | Difference <sup>5</sup> |      |
| Ripley Crossing  | 3/1/2004              | 3/1/2005               |        | 17,989                            | 16,190  | 16,190   | 0.504   | 8,162  | 1,512                   | 6,650                   |      |
| Robert E. Lee Retirement Inn                               | 8/1/2003              | 9/1/2004               |        | 48,800                            | 43,920  | 43,920   | 0.504   | 22,140   | 3,831                   | 18,309                  |      |
| Robert E. Lee Investors, Inc. dba Robert E. Lee Healthplex | 3/1/2004              | 3/1/2005               |        | 31,594                            | 28,435  | 28,435   | 0.504   | 13,000   | 28,435                  | 4,423                   |      |
| Scott County Nursing and Wellness Center dba Bascala       | 11/1/2003             | 3/1/2005               |        | 50,738                            | 45,664  | 45,664   | 0.504   | 23,020   | 23,020                  | 24,012                  |      |
| Care Centers of Indiana - Sebo's                           | 3/1/2004              | 3/1/2005               |        | 77,304                            | 69,574  | 69,574   | 0.249   | 17,322   | 3,497                   | 20,525                  |      |
| Shamrock Gardens   | 4/22/2004             | 5/1/2005               |        | 49,875                            | 44,888  | 44,888   | 0.304   | 22,628   | 0                       | 13,825                  |      |
| Simmons Loving Care  | 3/1/2003              | 3/1/2005               |        | 30,494                            | 27,445  | 27,445   | 0.362   | 9,925  | 1,538                   | 22,628                  |      |
| Simmons Loving Care  | 10/7/2003             | 3/1/2005               |        | 22,890                            | 20,601  | 20,601   | 0.286   | 8,387  | 0                       | 8,387                   |      |
| Southwind Healthcare, Inc.                                 | 3/1/2004              | 3/1/2005               |        | 15,794                            | 13,765  | 13,765   | 0.304   | 5,886  | 2,074                   | 3,812                   |      |
| Southwind Healthcare, Inc.                                 | 10/1/2003             | 3/1/2005               |        | 65,068                            | 58,561  | 58,561   | 0.294   | 6,939  | 0                       | 6,939                   |      |
| Springfield Healthcare Center                              | 3/1/2004              | 9/1/2004               |        | 39,135                            | 35,222  | 35,222   | 0.504   | 17,217   | 3,810                   | 13,407                  |      |
| Springfield Healthcare                                     | 10/1/2003             | 3/1/2005               |        | 38,697                            | 34,827  | 34,827   | 0.294   | 17,755   | 0                       | 17,755                  |      |
| Summit Place West, Inc.                                    | 3/1/2004              | 9/1/2005               |        | 23,575                            | 21,218  | 21,218   | 0.304   | 10,239   | 4,591                   | 5,648                   |      |
| Summit Place West  | 9/1/2003              | 3/1/2005               |        | 20,000                            | 18,000  | 18,000   | 0.333   | 10,696   | 0                       | 10,696                  |      |
| Good Samaritan Home  | 3/1/2004              | 3/1/2005               |        | 11,557                            | 10,491  | 10,491   | 0.304   | 5,989  | 2,280                   | 3,709                   |      |
| Good Samaritan   | 10/1/2003             | 3/1/2005               |        | 50,329                            | 45,296  | 45,296   | 0.304   | 23,317   | 5,243                   | 8,405                   |      |
| Trileg <sup>®</sup>  | 3/17/2004             | 9/1/2005               |        | 502,246                           | 427,243   | 427,243  | 0.504   | 13,723   | 0                       | 13,723                  |      |
| Cambridge House  | 7/1/2003              | 7/1/2004               |        | 89,267                            | 80,340  | 80,340   | 0.460   | 208,054  | 36,012                  | 172,042                 |      |
| Tutera Healthcare dba Cambridge Manor                      | 7/1/2004              | 7/1/2005               |        | 65,798                            | 59,218  | 59,218   | 0.170   | 71,150   | 0                       | 73,190                  |      |
| Care Centers of Indiana - Vappraso                         | 11/1/2003             | 3/1/2005               |        | 105,148                           | 95,174  | 95,174   | 0.249   | 10,059   | 1,823                   | 8,236                   |      |
| Vappraso Care  | 3/1/2004              | 3/1/2005               |        | 91,200                            | 62,452  | 62,452   | 0.304   | 23,695   | 4,865                   | 18,830                  |      |
| VanNess, Spaugh & Smith                                    | 10/1/2003             | 3/1/2005               |        | 193,795                           | 174,416   | 174,416  | 0.294   | 31,483   | 0                       | 31,483                  |      |
| Wellington Manor   | 3/1/2004              | 3/1/2005               |        | 118,064                           | 106,238   | 106,238  | 0.504   | 50,646   | 21,302                  | 29,344                  |      |
| IPC & Willow Manor Investors, LLC                          | 12/1/2003             | 3/1/2005               |        | 74,476                            | 67,028  | 67,028   | 0.182   | 52,904   | 0                       | 52,904                  |      |
| Zionsville Meadows   | 3/1/2004              | 3/1/2005               |        | 51,299                            | 46,169  | 46,169   | 0.304   | 12,173   | 4,633                   | 7,340                   |      |
| Zionsville Meadow  | 10/7/2003             | 3/1/2005               |        | 44,664                            | 40,198  | 40,198   | 0.504   | 23,274   | 0                       | 23,274                  |      |
| Total  |                       |                        |        | 8,264,839                         | 7,438,355   | 7,287,556  | 0   | 2,637,783  | 476,921                 | 3,114,704               |      |

<sup>1</sup> Calculated as 90% of the total premium. The Professional liability ratio of 90% is derived on Exhibit 4.

<sup>2</sup> Calculated as the product of column (6) and Exhibit 3, column (15).

<sup>3</sup> Calculated as 100% of (7) for policies effective prior to April 17, 2005 and 110% of (7) for policies effective April 17, 2005 and subsequent.

<sup>4</sup> Calculated as (8) \* (9).

<sup>5</sup> Calculated as (10) - (11).

Exhibit 3  
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| Portion of Rate Associated with Independent Living Beds   |                       |              |                   |                  |                 |                    |     |     |      |      |      |      |       |        |
|---|-----------------------|--------------|-------------------|------------------|-----------------|--------------------|-----|-----|------|------|------|------|-------|--------|
| (1)   | (2)                   | (3)          | (4)               | (5)              | (6)             | (7)                | (8) | (9) | (10) | (11) | (12) | (13) | (14)  | (15)   |
| Named Insured   | Policy Effective Date | Skilled Care | Intermediate Care | Residential Care | Assisted Living | Independent Living | 0   | 0   | 100% | 55%  | 30%  | 25%  | 33    | 33     |
| Allison Healthcare Corporation                            | 4/30/2003             | 33           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 33    | 33     |
| Allison Healthcare Corporation                            | 3/1/2004              | 33           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 33    | 33     |
| Alpha Home, Inc.  | 5/1/2003              | 86           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 86    | 86     |
| Alpha Homes   | 3/1/2004              | 86           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 86    | 86     |
| American Senior Communities                               | 5/1/2003              | 0            | 0                 | 0                | 0               | 0                  | 631 | 184 | 100% | 55%  | 30%  | 25%  | 86    | 86     |
| American Senior Communities                               | 3/1/2004              | 0            | 0                 | 0                | 0               | 0                  | 709 | 190 | 100% | 55%  | 30%  | 25%  | 235   | 189    |
| Harrison Healthcare dba American Village Retirement       | 3/1/2004              | 119          | 0                 | 0                | 0               | 0                  | 104 | 102 | 100% | 55%  | 30%  | 25%  | 260   | 213    |
| Atcor Consultation  | 4/1/2004              | 0            | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 176   | 150    |
| Bethany Village Nursing Home                              | 3/1/2004              | 100          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 100   | 85     |
| Bethany Assisted Living                                   | 3/1/2004              | 0            | 0                 | 0                | 0               | 0                  | 130 | 0   | 100% | 55%  | 30%  | 25%  | 0     | 0      |
| Care Centers of Indiana - Bethlehem                       | 11/1/2003             | 115          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 39    | 39     |
| Betz Nursing Home   | 12/1/2003             | 115          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 100   | 100    |
| Betz Nursing Home   | 3/1/2004              | 115          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 115   | 115    |
| Brander Village Health Care Center                        | 3/1/2004              | 206          | 0                 | 0                | 0               | 0                  | 0   | 24  | 100% | 55%  | 30%  | 25%  | 115   | 115    |
| Brookville Healthcare, Inc. dba Elsie Dreyer Nursing Home | 9/1/2003              | 39           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 212   | 206    |
| Business Support Services, Inc.                           | 3/1/2004              | 39           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 39    | 39     |
| Byron Healthcare Center                                   | 3/1/2004              | 816          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 39    | 39     |
| Care Centers of Indiana - Cardinal                        | 1/1/2003              | 291          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 205   | 191    |
| Caron   | 3/1/2004              | 786          | 0                 | 0                | 0               | 0                  | 119 | 162 | 100% | 55%  | 30%  | 25%  | 291   | 291    |
| Careage of Logansport, Inc. dba Chase Nursing & Rehab Ctr | 10/1/2003             | 168          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 862   | 822    |
| Careage of Logansport                                     | 3/1/2004              | 168          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 168   | 168    |
| Carrie Care Center  | 3/1/2004              | 140          | 0                 | 0                | 0               | 0                  | 85  | 0   | 100% | 55%  | 30%  | 25%  | 168   | 168    |
| Care Centers of Indiana - Clark                           | 11/1/2003             | 120          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 166   | 166    |
| Clark   | 3/1/2004              | 120          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 120   | 120    |
| Cloverleaf  | 10/1/2003             | 86           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 120   | 120    |
| Care Centers of Indiana - Community Nursing               | 3/1/2004              | 86           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 86    | 86     |
| Community Village, Inc.                                   | 11/1/2003             | 120          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 120   | 120    |
| Core Associates   | 3/1/2004              | 106          | 0                 | 0                | 0               | 0                  | 80  | 98  | 100% | 55%  | 30%  | 25%  | 155   | 130    |
| Care Centers of Indiana - East Lake                       | 4/30/2003             | 175          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 175   | 175    |
| East Lake   | 3/1/2004              | 170          | 0                 | 0                | 0               | 0                  | 50  | 0   | 100% | 55%  | 30%  | 25%  | 170   | 170    |
| George Ade Memorial Health Care Center, Inc.              | 9/1/2003              | 85           | 0                 | 0                | 0               | 0                  | 10  | 0   | 100% | 55%  | 30%  | 25%  | 88    | 88     |
| George Ade Memorial Health Care Center, Inc.              | 3/1/2004              | 160          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 160   | 160    |
| Gretzmark of Roselawn                                     | 12/1/2003             | 85           | 0                 | 0                | 0               | 0                  | 10  | 0   | 100% | 55%  | 30%  | 25%  | 101   | 101    |
| Gretzmark of Roselawn                                     | 3/1/2004              | 95           | 0                 | 0                | 0               | 0                  | 20  | 0   | 100% | 55%  | 30%  | 25%  | 67    | 67     |
| Care Centers of Indiana - Dyer                            | 11/1/2003             | 90           | 0                 | 0                | 0               | 0                  | 50  | 0   | 100% | 55%  | 30%  | 25%  | 105   | 105    |
| Dyer  | 3/1/2004              | 90           | 0                 | 0                | 0               | 0                  | 50  | 0   | 100% | 55%  | 30%  | 25%  | 105   | 105    |
| Quality Healthcare (Country Care)                         | 3/1/2004              | 85           | 0                 | 0                | 0               | 0                  | 10  | 0   | 100% | 55%  | 30%  | 25%  | 160   | 160    |
| Country Care  | 3/1/2004              | 85           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 160   | 160    |
| Greystone   | 10/3/2003             | 95           | 0                 | 0                | 0               | 0                  | 20  | 0   | 100% | 55%  | 30%  | 25%  | 101   | 101    |
| Greystone   | 3/1/2004              | 67           | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 67    | 67     |
| Greystone   | 10/3/2003             | 386          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 386   | 386    |
| Eagle Care - HCA  | 3/1/2004              | 1,776        | 0                 | 0                | 0               | 0                  | 126 | 85  | 100% | 55%  | 30%  | 25%  | 1,814 | 98.8%  |
| Health & Hospital (Eagle Care, PC New)                    | 12/1/2003             | 685          | 0                 | 0                | 0               | 0                  | 0   | 0   | 100% | 55%  | 30%  | 25%  | 685   | 100.0% |

Exhibit 3  
Page 2 of 3

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company

Portion of Rate Associated with Independent Living Beds

| (1)   | (2)  | (3)                   | (4)      | (5)          | (6)               | (7)              | (8)             | (9)                | (10)         | (11)              | (12)             | (13)            | (14)               | (15)  |
|---|--|-----------------------|----------|--------------|-------------------|------------------|-----------------|--------------------|--------------|-------------------|------------------|-----------------|--------------------|---|
| Named Insured                                     | Health & Hospital 5 Acquired Locations (Flag Care) | Policy Effective Date | 3/1/2004 | Skilled Care | Intermediate Care | Residential Care | Assisted Living | Independent Living | Skilled Care | Intermediate Care | Residential Care | Assisted Living | Independent Living | Weighted Exposures Relative to Skilled Care Bed Type <sup>1</sup> |
| St. Clair Darden Health / Healthwin               | 3/1/2004   | 143                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 685                | 0.85  |
| Indianapolis Jewish Home dba Hooverwood           | 10/1/2003  | 188                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 145                | 1.45  |
| Indianapolis Jewish Home                          | 3/1/2004   | 190                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 188                | 1.88  |
| Kendallville Manor                                | 10/1/2003  | 60                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 190                | 1.90  |
| Care Centers of Indiana - Lake County             | 11/1/2003  | 122                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 60                 | 0.60  |
| Care Centers of Indiana - Lake County             | 3/1/2004   | 122                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 122                | 1.22  |
| Lakeview Manor                                    | 10/1/2003  | 143                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 122                | 1.22  |
| Lakeview Manor                                    | 3/1/2004   | 143                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 122                | 1.22  |
| Lake Park Residential Care, Inc.                  | 10/1/2003  | 131                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 156                | 1.56  |
| Lake Park Residential                             | 3/1/2004   | 0                     | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 156                | 1.56  |
| Mandeville Nursing Home, Inc.                     | 6/15/2003  | 71                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 0                  | 0.00  |
| MHC, Inc. & Marke Health Care                     | 3/1/2004   | 100                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 71                 | 1.00  |
| Mellinger Healthcare, Inc. dba Latin Nursing Home | 6/29/2003  | 50                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 71                 | 1.00  |
| Mellinger Healthcare, Inc. dba Latin Nursing Home | 7/1/2003   | 50                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 100                | 1.00  |
| Mellinger Healthcare, Inc. dba Latin Nursing Home | 3/1/2004   | 40                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 50                 | 0.50  |
| Mid-South Nursing Home, Inc.                      | 1/1/2004   | 262                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 40                 | 1.00  |
| Mid-South (Adventist)                             | 3/1/2004   | 262                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 262                | 2.62  |
| Care Centers of Indiana - Midtown                 | 11/1/2003  | 153                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 262                | 1.00  |
| Miner Community Health Care, Inc.                 | 7/1/2003   | 84                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 153                | 1.53  |
| Miner Community NH                                | 3/1/2004   | 84                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 88                 | 0.88  |
| Care Centers of Indiana - Milton Home             | 11/1/2003  | 54                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 89                 | 0.89  |
| Milton Home                                       | 3/1/2004   | 54                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 50                 | 0.50  |
| Morganian Healthcare                              | 3/1/2004   | 40                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 40                 | 1.00  |
| Mulberry Healthcare                               | 8/1/2003   | 172                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 40                 | 1.00  |
| Mulberry Healthcare                               | 3/1/2004   | 172                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 172                | 1.72  |
| New Age Healthcare                                | 10/1/2003  | 60                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 182                | 1.82  |
| New Age Healthcare                                | 3/1/2004   | 60                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 172                | 1.72  |
| Newburgh Healthcare                               | 12/1/2003  | 86                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 60                 | 0.60  |
| Newburgh Healthcare                               | 3/1/2004   | 86                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 86                 | 1.00  |
| Care Centers of Indiana - North Capitol           | 11/1/2003  | 153                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 86                 | 1.00  |
| Northgate   | 3/1/2004   | 180                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 153                | 1.53  |
| NWMC, Inc. dba NorthWest Manor Healthcare Center  | 7/1/2003   | 138                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 180                | 1.80  |
| NWMC, Inc. dba NorthWest Manor Healthcare Center  | 3/1/2004   | 138                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 138                | 1.38  |
| Oak Grove Christian Retirement Community          | 11/1/2003  | 35                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 138                | 1.38  |
| Oak Grove Christian Retirement Village            | 3/1/2004   | 44                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 48                 | 0.48  |
| Owenville Convalescent Center                     | 10/1/2003  | 68                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 48                 | 1.00  |
| Owenville Convalescent Center                     | 3/1/2004   | 68                    | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 68                 | 0.68  |
| Integra Care - Pinehurst                          | 8/1/2003   | 115                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 117                | 1.17  |
| Pinehurst   | 3/1/2004   | 115                   | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 117                | 1.17  |
| Rathbone Retirement Community                     | 10/1/2003  | 0                     | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 2                  | 16.1%   |
| Rathbone  | 3/1/2004   | 0                     | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 2                  | 16.1%   |
| Residential Care VIII, LLC dba Riverbend          | 10/3/2003  | 0                     | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 23                 | 100.0%  |
| Riverbend   | 3/1/2004   | 0                     | 0        | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 25%             | 23                 | 100.0%  |

**Exhibit 3**  
**Page 3 of 3**

**Indiana Patients Compensation Fund**  
**Market Conduct Exam of Arch Excess and Surplus Insurance Company**

**Portion of Rate Associated with Independent Living Beds**

| (1)  | (2)                   | (3)          | (4)               | (5)              | (6)             | (7)                | (8)          | (9)               | (10)             | (11)            | (12)               | (13)  | (14)  | (15)   |
|--|-----------------------|--------------|-------------------|------------------|-----------------|--------------------|--------------|-------------------|------------------|-----------------|--------------------|---|---|--|
| Named Insured  | Policy Effective Date | Skilled Care | Intermediate Care | Residential Care | Assisted Living | Independent Living | Skilled Care | Intermediate Care | Residential Care | Assisted Living | Independent Living | Weighted Exposures Relative to Skilled Care Bed Type <sup>1</sup> | Weighted Exposures Excluding Independent Living Beds <sup>2</sup> | Portion of Exposure Not Stemming From Independent Living Beds <sup>3</sup> |
| Ripley Crossing  | 3/1/2004              | 60           | 0                 | 0                | 0               | 0                  | 0            | 100%              | 55%              | 30%             | 30%                | 25%   | 60  | 60   |
| Robert E. Lee Retirement Inn   | 3/1/2003              | 100          | 0                 | 0                | 52              | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 116   | 116   | 100.0%   |
| Robert E. Lee Investors, Inc. dba Robert E. Lee Healthplex                           | 8/1/2003              | 100          | 0                 | 0                | 52              | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 116   | 116   | 100.0%   |
| Scott County Nursing and Wellness Center dba Basha's Cac Centers of Indiana - Sebo's | 3/1/2004              | 99           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 99  | 99  | 100.0%   |
| Sebo's   | 11/1/2003             | 138          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 138   | 138   | 100.0%   |
| Shanrock Gardens   | 3/1/2004              | 138          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 138   | 138   | 100.0%   |
| Sebo's   | 4/22/2004             | 0            | 0                 | 0                | 85              | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 26  | 26  | 100.0%   |
| Sinimmons Loving Care  | 10/7/2003             | 46           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 46  | 46  | 100.0%   |
| Sinimmons Loving Care  | 3/1/2004              | 46           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 46  | 46  | 100.0%   |
| Southwind Healthcare, Inc.   | 10/1/2003             | 83           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 83  | 83  | 100.0%   |
| Southwind Healthcare, Inc.   | 3/1/2004              | 83           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 83  | 83  | 100.0%   |
| Springfield Healthcare Center  | 10/1/2003             | 100          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 100   | 100   | 100.0%   |
| Springfield Healthcare   | 3/1/2004              | 100          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 100   | 100   | 100.0%   |
| Summit Place West, Inc.  | 9/1/2003              | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 0   | 0   | 100.0%   |
| Summit Place West  | 3/1/2004              | 0            | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 0   | 0   | 100.0%   |
| Good Samaritan Home  | 10/1/2003             | 107          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 17  | 17  | 100.0%   |
| Good Samaritan   | 3/1/2004              | 107          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 107   | 107   | 100.0%   |
| Trilogy  | 3/1/2004              | 1,353        | 0                 | 0                | 603             | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 1,534   | 1,534   | 100.0%   |
| Cambridge House  | 7/1/2003              | 143          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 143   | 143   | 100.0%   |
| Tutors Healthcare dba Cambridge Manor  | 7/1/2004              | 143          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 143   | 143   | 100.0%   |
| Cac Centers of Indiana - Valparaiso  | 11/1/2003             | 192          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 192   | 192   | 100.0%   |
| Valparaiso Care  | 3/1/2004              | 192          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 192   | 192   | 100.0%   |
| Van Ness Spaulgh & Smith   | 10/1/2003             | 410          | 0                 | 0                | 33              | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 420   | 420   | 100.0%   |
| Van Ness Spaulgh & Smith   | 3/1/2004              | 410          | 0                 | 0                | 33              | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 420   | 420   | 100.0%   |
| Wellington Manor   | 12/1/2003             | 128          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 128   | 128   | 100.0%   |
| Wellington Manor   | 3/1/2004              | 128          | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 128   | 128   | 100.0%   |
| IPC & Willow Manor Investors, LLC  | 3/1/2004              | 83           | 0                 | 0                | 0               | 0                  | 100%         | 55%               | 30%              | 30%             | 25%                | 83  | 83  | 100.0%   |
| Zionsville Meadows   | 11/7/2003             | 137          | 0                 | 0                | 70              | 60                 | 100%         | 55%               | 30%              | 30%             | 25%                | 137   | 137   | 100.0%   |
| Zionsville Manor   | 3/1/2004              | 137          | 0                 | 0                | 70              | 60                 | 100%         | 55%               | 30%              | 30%             | 25%                | 158   | 158   | 91.3%  |
| Total  |                       | 18,717       | 0                 | 0                | 3,649           | 1,377              |              |                   |                  |                 |                    | 20,156  | 19,812  | 98.3%  |

<sup>1</sup> Calculated as the crossproduct of columns (3) through (7) with columns (8) through (12).

<sup>2</sup> Calculated as (13) - (7) × (12).

<sup>3</sup> Calculated as (14) / (13).

Note: Columns (8) through (12) are based on the Department's current rating plan for nursing homes, adjusted to conform to the five categories outlined in columns (3) through (7).

Exhibit 4

Indiana Department of Insurance  
Patients Compensation Fund  
Professional Liability Portion Of Nursing Home Liability Rate

| Indication Based on:   | Indication   |
|--|--------------|
| Texas Closed Claim Database as of 12/31/2004                                   | 92.4%        |
| Texas St. Paul Nursing Home Rate filing effective 3/28/2000                    | 68.0%        |
| Indiana CNA Nursing Home Rate filing effective 8/31/2001                       | 60.0%        |
| Conversation with nursing home professional liability underwriter <sup>1</sup> | 90.0%        |
| Midwest Insurance Group incurred distribution as of 12/31/2005 <sup>2</sup>    | 95.6%        |
| <b>Selected Professional Liability Portion of Nursing Home Liability Rate</b>  | <b>90.0%</b> |

<sup>1</sup> Midpoint of provided range of 85% to 95%

<sup>2</sup> See Attachment A

Exhibit 5

Indiana Patients Compensation Fund

Market Conduct Exam of Arch Excess and Surplus Insurance Company

Certified Bed Comparison

| Account Name          | Arch Indicated              |       | Medicare Indicated |       | Difference |
|-----------------------|-----------------------------|-------|--------------------|-------|------------|
|                       | Certified Beds <sup>1</sup> | Total | Certified Beds     | Total |            |
| Alpha Homes           | 86                          | 86    | 86                 | 86    | 0          |
| Carmel Care Center    | 225                         | 225   | 178                | 178   | 47         |
| Morgantown Healthcare | 40                          | 40    | 39                 | 39    | 1          |
| Simmons Loving Care   | 46                          | 46    | 46                 | 46    | 0          |
| Wellington Manor      | 128                         | 128   | 112                | 112   | 16         |

<sup>1</sup> From underwriting files

Exhibit 6  
Page 1 of 2

| Surcharge Reconciliation                                    |                |                     |                  |                  |          |          |
|---|----------------|---------------------|------------------|------------------|----------|----------|
| Named Insured   | Effective Date | Department Provided | Surcharge Amount | Surcharge Amount | Archived | Provided |
| Allison Healthcare Corporation                              | 4/30/2003      |                     | 1,383            | 1,383            | 0        |          |
| Allison Healthcare Corporation                              | 3/1/2004       |                     | 832              | 832              | 0        |          |
| Alpha Home, Inc.  | 5/1/2003       |                     |                  |                  | 3,593    | (3,593)  |
| Alpha Homes   | 3/1/2004       |                     |                  |                  | 2,168    | (2,168)  |
| American Senior Communities                                 | 5/1/2003       |                     | 9,173            | 9,173            | 9,447    | (274)    |
| American Senior Communities                                 | 3/1/2004       |                     | 5,529            | 5,529            | 5,729    | (200)    |
| Harrison Healthcare dba American Village Retirement         | 3/1/2004       |                     | 6,639            | 6,639            | 6,639    | 0        |
| Archer Consultation   | 4/1/2004       |                     |                  |                  | 6,256    | (6,256)  |
| Bethany Village Nursing Home                                | 3/1/2004       |                     | 2,560            | 2,560            | 2,560    | 0        |
| Bethany Assisted Living                                     | 3/1/2004       |                     | 3,250            | 3,250            | 3,250    | 0        |
| Care Centers of Indiana - Bethlehem                         | 1/1/2003       |                     | 250              | 250              | 250      | (0)      |
| Betz Nursing Home   | 12/1/2003      |                     | 2,592            | 2,592            | 1,744    | 848      |
| Bimher's Village Health Care Center                         | 3/1/2004       |                     | 5,797            | 5,797            | 5,797    | 0        |
| Brookville Healthcare, Inc. dba Elsie Dreyer Nursing Home   | 9/1/2003       |                     | 970              | 970              | 970      | 0        |
| Brookville Healthcare, Inc.                                 | 3/1/2004       |                     | 983              | 983              | 983      | 0        |
| Business Support Services, Inc.                             | 3/1/2004       |                     | 18,510           | 18,510           | 18,510   | 0        |
| Byron Healthcare Center                                     | 3/1/2004       |                     | 6,201            | 6,201            | 6,201    | 0        |
| Care Centers of Indiana - Cardinal                          | 1/1/2003       |                     | 728              | 728              | 728      | 0        |
| Cardon  | 3/1/2004       |                     | 16,855           | 16,855           | 19,574   | (2,719)  |
| Careage of Logansport, Inc. d/b/a Chase Nursing & Rehab Ctr | 10/10/2003     |                     | 2,681            | 2,681            | 7,508    | (4,927)  |
| Carmel Care Center  | 3/1/2004       |                     | 100              | 100              | 5,671    | (5,571)  |
| Care Centers of Indiana - Clark                             | 11/1/2003      |                     | 3,041            | 3,041            | 3,158    | (117)    |
| Cloverleaf Healthcare                                       | 10/1/2003      |                     | 3,158            | 3,158            | 3,158    | 0        |
| Care Centers of Indiana - Community Nursing                 | 1/1/2003       |                     | 300              | 300              | 300      | (0)      |
| Community Village, Inc.                                     | 3/2/2004       |                     | 9,765            | 9,765            | 7,158    | 2,607    |
| Core Associates   | 4/30/2003      |                     |                  |                  | 7,316    | (7,316)  |
| Core Associates   | 3/1/2004       |                     | 4,285            | 4,285            | 4,285    | 0        |
| Quality Healthcare (County Care)                            | 9/1/2003       |                     |                  |                  | 4,749    | (4,749)  |
| Crestmark of Roseclawn, LLC                                 | 12/15/2003     |                     | 4,453            | 4,453            | 4,453    | 0        |
| Care Centers of Indiana - Dyer                              | 1/1/2003       |                     | 2,722            | 2,722            | 2,722    | 0        |
| Care Centers of Indiana - East Lake                         | 1/1/2003       |                     | 4,054            | 4,054            | 4,054    | 0        |
| George Ade Memorial Health Care Center, Inc.                | 5/8/2003       |                     |                  |                  | 2,728    | (2,728)  |
| George Ade Memorial Home                                    | 3/1/2004       |                     | 1,689            | 1,689            | 1,689    | 0        |
| Greystone   | 10/31/2003     |                     | 32,256           | 32,256           | 16,128   | 16,128   |
| Eagle Care - HCA  | 3/1/2004       |                     | 39,833           | 39,833           | 40,065   | (232)    |
| Health & Hospital (Eagle Care, PC New)                      | 12/1/2003      |                     | 21,163           | 21,163           | 25,673   | (4,510)  |
| St. Clair Darden Health / Healthwin                         | 3/1/2004       |                     | 3,763            | 3,763            | 3,763    | 0        |
| Indianapolis Jewish Home dba Hooverwood                     | 10/1/2003      |                     | 100              | 100              | 8,277    | (8,177)  |
| Kendallville Manor  | 10/1/2003      |                     | 3,390            | 3,390            | 5,841    | (2,451)  |
| Care Centers of Indiana - Lake County                       | 1/1/2003       |                     | 3,091            | 3,091            | 3,091    | 0        |
| Lakeview Manor  | 10/1/2003      |                     | 7,552            | 7,552            | 7,552    | 0        |
| Lake Park Residential Care, Inc.                            | 10/1/2003      |                     | 2,720            | 2,720            | 2,720    | 0        |
| Lake Park Residential                                       | 3/1/2004       |                     | 3,302            | 3,302            | 3,302    | 0        |
| Manderley Nursing Home, Inc.                                | 6/15/2003      |                     | 2,532            | 2,532            | 2,522    | 0        |
| Marlley Nursing Home, Inc.                                  | 3/1/2004       |                     |                  |                  | 1,790    | (1,790)  |
| MHC, Inc. & Marke Health Care                               | 6/20/2003      |                     | 3,484            | 3,484            | 3,484    | 0        |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home           | 7/1/2003       |                     |                  |                  | 1,667    | (1,667)  |
| Mellinger Healthcare, Inc. dba LuAnn Nursing Home           | 3/1/2004       |                     | 1,008            | 1,008            | 1,008    | 0        |
| Mid-South Nursing Home, Inc.                                | 1/1/2004       |                     | 15,212           | 15,212           | 15,212   | 0        |

Exhibit 6  
Page 2 of 2

Indiana Patients Compensation Fund  
Market Conduct Exam of Arch Excess and Surplus Insurance Company  
Surcharge Reconciliation

| Named Insured  | Effective Date | Department Provided | Arch Provided | Surcharge Amount | Surcharge Amount | Difference |
|--|----------------|---------------------|---------------|------------------|------------------|------------|
| Care Centers of Indiana - Middletown                       | 11/1/2003      | 383                 | 383           | 383              | 383              | 0          |
| Milner Community Health Care, Inc.                         | 7/15/2003      | 2,521               | 1,822         | 2,521            | 1,822            | (1,822)    |
| Milner Community NH  | 3/1/2004       | 2,179               | 2,321         | 2,179            | 2,321            | 0          |
| Care Centers of Indiana - Milton Home                      | 11/1/2003      | 2,179               | 2,179         | 2,179            | 2,179            | 0          |
| Morgantown Healthcare                                      | 3/1/2004       | 1,008               | 1,008         | 1,008            | 1,008            | 0          |
| Mulberry Healthcare  | 8/1/2003       |                     | 5,005         |                  | 5,005            | (5,005)    |
| Mulberry Healthcare  | 3/1/2004       |                     | 5,293         |                  | 5,293            | (5,293)    |
| New Age Healthcare   | 10/1/2003      | 4,238               | 2,755         | 4,238            | 2,755            | 0          |
| Newburgh Healthcare  | 12/31/2003     | 4,504               | 1,483         | 4,504            | 1,483            | 0          |
| Care Centers of Indiana - North Capitol                    | 11/1/2003      | 383                 | 383           | 383              | 383              | 0          |
| Care Centers of Indiana - Northlake                        | 11/1/2003      | 4,561               | 4,561         | 4,561            | 4,561            | 0          |
| NWM, Inc. dba NorthWest Manor Healthcare Center            | 7/1/2003       | 4,600               | 4,600         | 4,600            | 4,600            | 0          |
| NWM, Inc. dba NorthWest Manor Healthcare Center            | 3/1/2004       | 3,478               | 3,478         | 3,478            | 3,478            | 0          |
| Oak Grove Christian  | 11/1/2003      | 3,294               | 3,294         | 3,294            | 3,294            | 0          |
| Owensville Convalescent Center                             | 10/1/2003      | 3,122               | 4,803         | 3,122            | 4,803            | (1,681)    |
| Integra Care - Pinehurst                                   | 8/1/2003       | 9,712               | 6,672         | 9,712            | 6,672            | 0          |
| Rathbone Retirement Community                              | 10/1/2003      | 2,981               | 1,938         | 2,981            | 1,938            | 0          |
| Residential Care VIII, LLC dba Riverbend                   | 10/3/2003      | 5,488               | 3,562         | 5,488            | 3,562            | 0          |
| Ripley Crossing  | 3/1/2004       | 1,512               | 1,512         | 1,512            | 1,512            | 0          |
| Robert E. Lee Retirement Inn                               | 3/1/2004       | 3,831               | 3,831         | 3,831            | 3,831            | 0          |
| Robert E. Lee Investors, Inc. dba Robert E. Lee Healthplex | 8/1/2003       |                     | 4,423         |                  | 4,423            | (4,423)    |
| Scott County Nursing and Wellness Center dba Bucilia       | 3/17/2004      | 2,495               | 2,495         | 2,495            | 2,495            | 0          |
| Care Centers of Indiana - Sebo's                           | 11/1/2003      | 3,497               | 3,497         | 3,497            | 3,497            | 0          |
| Shamrock Gardens   | 4/22/2004      | 1,538               | 1,538         | 1,538            | 1,538            | 0          |
| Simmons Loving Care  | 10/7/2003      | 3,211               | 2,074         | 3,211            | 2,074            | 1,137      |
| Southwind Healthcare, Inc.                                 | 10/1/2003      | 5,862               | 3,810         | 5,862            | 3,810            | 2,052      |
| Springfield Healthcare Center                              | 10/1/2003      | 4,591               | 4,591         | 4,591            | 4,591            | 0          |
| Summit Place West, Inc.                                    | 9/1/2003       |                     | 2,280         |                  | 2,280            | (2,280)    |
| Good Samaritan Home  | 10/1/2003      | 7,557               | 4,912         | 7,557            | 4,912            | 0          |
| Trilogy  | 3/17/2004      | 69,136              | 36,012        | 69,136           | 36,012           | 33,124     |
| Cambridge House  | 7/1/2003       | 7,150               | 7,150         | 7,150            | 7,150            | 0          |
| Tutera Healthcare dba Cambridge Manor                      | 7/1/2004       | 1,823               | 1,823         | 1,823            | 1,823            | 0          |
| Care Centers of Indiana - Valparaiso                       | 11/1/2003      | 4,865               | 4,865         | 4,865            | 4,865            | 0          |
| Van Ness, Spough & Smith                                   | 10/1/2003      | 21,302              | 21,302        | 21,302           | 21,302           | 0          |
| Wellington Manor   | 12/1/2003      | 4,633               | 4,633         | 4,633            | 4,633            | 0          |
| IPC & Willow Manor Investors, LLC                          | 3/1/2004       | 4,184               | 2,092         | 4,184            | 2,092            | 2,092      |
| Zionsville Meadows   | 11/7/2003      | 2,355               | 2,355         | 2,355            | 2,355            | 0          |
| Total  |                | 466,890             | 476,921       | 466,890          | 476,921          | (10,031)   |

Indiana Patients Compensation Fund

Market Conduct Exam of Arch Excess and Surplus Insurance Company

Midwest Insurance Group - Data as of 12/31/2005

Nursing Home Professional and General Liability

| Claim # | Accident Date | Report Date | Claim Type | Open/Closed | Incurred Loss | Incurred ALAB | Total Incurred |
|---------|---------------|-------------|------------|-------------|---------------|---------------|----------------|
| 284     | 01/02/03      | 09/10/04    | PL         | O           | 40,000        | 25,000        | 65,000         |
| 287     | 04/17/04      | 09/21/04    | PL         | C           | 0             | 0             | 0              |
| 288     | 09/07/04      | 09/21/04    | GL         | C           | 0             | 0             | 0              |
| 290     | 09/17/04      | 09/23/04    | PL         | C           | 0             | 0             | 0              |
| 293     | 09/24/05      | 09/28/05    | GL         | C           | 0             | 0             | 0              |
| 295     | 09/01/04      | 10/05/04    | PL         | C           | 0             | 0             | 0              |
| 300     | 07/16/04      | 10/19/04    | PL         | O           | 187,001       | 16,529        | 203,520        |
| 301     | 10/09/04      | 10/18/04    | GL         | C           | 0             | 0             | 0              |
| 302     | 09/25/04      | 10/22/04    | GL         | O           | 10,000        | 3,000         | 13,000         |
| 303     | 10/05/04      | 10/25/04    | PL         | O           | 0             | 0             | 0              |
| 304     | 06/01/04      | 10/28/04    | GL         | C           | 0             | 0             | 0              |
| 309     | 10/23/04      | 10/29/04    | PL         | C           | 0             | 0             | 0              |
| 325     | 10/06/03      | 11/19/04    | PL         | O           | 187,001       | 10,000        | 197,001        |
| 326     | 11/18/04      | 11/30/04    | PL         | C           | 0             | 0             | 0              |
| 327     | 01/16/04      | 12/06/04    | PL         | O           | 187,001       | 75,000        | 262,001        |
| 328     | 01/30/03      | 12/06/04    | PL         | O           | 25,000        | 16,069        | 41,069         |
| 330     | 12/07/04      | 12/07/04    | PL         | C           | 0             | 133           | 133            |
| 331     | 12/25/02      | 12/08/04    | PL         | O           | 15,000        | 20,000        | 35,000         |
| 332     | 05/12/04      | 12/07/04    | PL         | O           | 25,000        | 15,000        | 40,000         |
| 334     | 10/16/04      | 12/09/04    | GL         | C           | 36,500        | 327           | 36,827         |
| 337     | 12/18/04      | 12/22/04    | PL         | C           | 0             | 0             | 0              |
| 343     | 12/25/04      | 12/28/04    | GL         | C           | 0             | 3,542         | 3,542          |
| 344     | 09/24/04      | 12/30/04    | PL         | O           | 25,000        | 21,465        | 46,465         |
| 345     | 03/11/04      | 12/30/04    | PL         | O           | 90,000        | 25,000        | 115,000        |
| 346     | 08/23/04      | 12/31/04    | GL         | C           | 0             | 0             | 0              |
| 348     | 12/30/04      | 12/31/04    | GL         | C           | 0             | 0             | 0              |
| 353     | 12/29/04      | 01/06/05    | PL         | C           | 60,000        | 6,970         | 66,970         |
| 358     | 12/21/04      | 01/06/05    | GL         | O           | 30,000        | 3,000         | 33,000         |
| 361     | 01/09/05      | 01/13/05    | GL         | C           | 0             | 0             | 0              |
| 365     | 01/01/03      | 01/18/05    | PL         | C           | 1,000         | 3,000         | 4,000          |
| 369     | 01/16/05      | 01/24/05    | GL         | C           | 0             | 1,793         | 1,793          |
| 370     | 01/24/05      | 01/24/05    | GL         | C           | 0             | 0             | 0              |
| 372     | 05/22/04      | 02/01/05    | PL         | O           | 0             | 0             | 0              |
| 375     | 01/28/05      | 02/04/05    | GL         | C           | 0             | 0             | 0              |
| 379     | 01/25/03      | 02/23/05    | GL         | C           | 0             | 0             | 0              |
| 387     | 11/20/03      | 03/15/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 388     | 03/03/05      | 03/22/05    | PL         | C           | 0             | 0             | 0              |
| 389     | 09/24/04      | 03/18/05    | PL         | O           | 10,000        | 15,000        | 25,000         |
| 390     | 03/15/05      | 03/15/05    | GL         | C           | 0             | 0             | 0              |
| 391     | 12/08/04      | 03/24/05    | GL         | C           | 0             | 0             | 0              |

Appendix A  
Page 2 of 3

Indiana Patients Compensation Fund

Market Conduct Exam of Arch Excess and Surplus Insurance Company

Midwest Insurance Group - Data as of 12/31/2005

Nursing Home Professional and General Liability

| Claim # | Accident Date | Report Date | Claim Type | Open/Closed | Incurred Loss | Incurred ALAE | Total Incurred |
|---------|---------------|-------------|------------|-------------|---------------|---------------|----------------|
| 394     | 06/15/03      | 03/24/05    | PL         | C           | 0             | 53            | 53             |
| 399     | 03/27/05      | 03/29/05    | PL         | C           | 0             | 0             | 0              |
| 400     | 03/21/03      | 04/01/05    | PL         | C           | 0             | 286           | 286            |
| 403     | 01/07/05      | 04/04/05    | GL         | C           | 18,500        | 0             | 18,500         |
| 404     | 01/31/04      | 04/05/05    | PL         | O           | 187,001       | 40,000        | 227,001        |
| 405     | 03/27/05      | 04/04/05    | GL         | C           | 0             | 0             | 0              |
| 406     | 03/06/05      | 04/05/05    | PL         | C           | 0             | 0             | 0              |
| 408     | 04/03/05      | 04/07/05    | GL         | C           | 0             | 0             | 0              |
| 410     | 03/09/05      | 04/08/05    | PL         | C           | 0             | 0             | 0              |
| 418     | 05/01/03      | 04/18/05    | PL         | O           | 25,000        | 35,000        | 60,000         |
| 424     | 12/29/04      | 05/02/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 426     | 07/04/03      | 05/05/05    | PL         | C           | 0             | 0             | 0              |
| 429     | 09/26/03      | 05/09/05    | PL         | O           | 40,000        | 50,000        | 90,000         |
| 430     | 09/26/03      | 05/09/05    | PL         | C           | 0             | 0             | 0              |
| 431     | 07/03/03      | 05/13/05    | PL         | O           | 10,000        | 25,000        | 35,000         |
| 436     | 05/12/04      | 12/07/04    | PL         | C           | 0             | 0             | 0              |
| 438     | 03/16/05      | 05/17/05    | PL         | O           | 187,001       | 25,000        | 212,001        |
| 439     | 05/12/05      | 05/17/05    | PL         | C           | 0             | 0             | 0              |
| 441     | 05/07/05      | 05/25/05    | PL         | C           | 0             | 0             | 0              |
| 443     | 05/15/05      | 05/26/05    | GL         | O           | 3,500         | 3,000         | 6,500          |
| 447     | 12/04/03      | 05/31/05    | PL         | O           | 25,000        | 45,000        | 70,000         |
| 449     | 01/30/03      | 12/06/04    | PL         | C           | 0             | 0             | 0              |
| 450     | 09/24/04      | 12/30/04    | PL         | C           | 0             | 0             | 0              |
| 452     | 09/24/04      | 03/18/05    | PL         | C           | 0             | 0             | 0              |
| 457     | 11/26/03      | 06/25/05    | PL         | O           | 187,001       | 35,000        | 222,001        |
| 465     | 04/24/04      | 07/01/05    | PL         | O           | 60,000        | 35,000        | 95,000         |
| 466     | 07/31/03      | 07/07/05    | PL         | O           | 50,000        | 35,000        | 85,000         |
| 469     | 07/08/05      | 07/08/05    | PL         | C           | 0             | 0             | 0              |
| 473     | 12/15/03      | 07/15/05    | PL         | C           | 0             | 0             | 0              |
| 481     | 05/20/05      | 07/19/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 482     | 06/30/05      | 07/19/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 484     | 05/31/04      | 07/25/05    | PL         | O           | 1,000         | 3,000         | 4,000          |
| 488     | 08/09/05      | 08/10/05    | GL         | C           | 0             | 0             | 0              |
| 492     | 11/22/03      | 08/02/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 496     | 08/21/05      | 08/30/05    | GL         | O           | 1,000         | 3,000         | 4,000          |
| 497     | 08/11/05      | 08/30/05    | GL         | C           | 0             | 0             | 0              |
| 499     | 05/06/05      | 09/01/05    | PL         | O           | 1,000         | 3,000         | 4,000          |
| 500     | 07/09/05      | 08/31/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 504     | 03/28/04      | 09/15/05    | PL         | O           | 5,000         | 10,000        | 15,000         |
| 507     | 09/08/03      | 09/20/05    | PL         | O           | 5,000         | 10,000        | 15,000         |

**Appendix A**  
**Page 3 of 3**

Indiana Patients Compensation Fund

Market Conduct Exam of Arch Excess and Surplus Insurance Company

Midwest Insurance Group - Data as of 12/31/2005

Nursing Home Professional and General Liability

| Claim # | Accident Date | Report Date | Claim Type | Open/Closed | Incurred Loss | ALAE    | Total Incurred |
|---------|---------------|-------------|------------|-------------|---------------|---------|----------------|
| 508     | 12/24/04      | 09/21/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 509     | 10/24/03      | 09/26/05    | PL         | C           | 0             | 0       | 0              |
| 510     | 06/16/04      | 09/23/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 511     | 03/19/99      | 09/23/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 515     | 09/30/05      | 10/05/05    | GL         | C           | 0             | 0       | 0              |
| 518     | 09/01/04      | 10/10/05    | PL         | C           | 0             | 246     | 246            |
| 520     | 09/06/05      | 10/17/05    | GL         | C           | 0             | 0       | 0              |
| 525     | 10/16/03      | 10/17/05    | PL         | C           | 0             | 0       | 0              |
| 526     | 10/05/04      | 10/14/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 529     | 10/29/05      | 11/01/05    | GL         | C           | 0             | 0       | 0              |
| 530     | 08/31/05      | 11/01/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 531     | 05/23/04      | 10/25/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 532     | 11/06/04      | 10/24/05    | PL         | C           | 0             | 0       | 0              |
| 536     | 08/18/04      | 11/03/05    | PL         | O           | 1,000         | 3,000   | 4,000          |
| 537     | 12/05/04      | 11/06/05    | PL         | C           | 0             | 0       | 0              |
| 538     | 06/26/03      | 11/10/05    | PL         | C           | 0             | 0       | 0              |
| 539     | 10/03/05      | 11/10/05    | PL         | C           | 0             | 0       | 0              |
| 540     | 11/01/05      | 11/10/05    | PL         | C           | 0             | 0       | 0              |
| 541     | 01/01/04      | 11/10/05    | PL         | O           | 60,000        | 35,000  | 95,000         |
| 545     | 10/15/05      | 11/22/05    | PL         | C           | 0             | 0       | 0              |
| 546     | 05/23/04      | 11/29/05    | PL         | O           | 5,000         | 10,000  | 15,000         |
| 547     | 09/12/05      | 11/28/05    | PL         | C           | 0             | 0       | 0              |
| 548     | 12/12/04      | 11/28/05    | PL         | C           | 0             | 0       | 0              |
|         |               |             | GL         |             | 99,500        | 15,869  | 115,369        |
|         |               |             | PL         |             | 1,761,006     | 770,544 | 2,531,550      |
|         |               |             |            |             | 1,860,506     | 786,413 | 2,646,919      |
|         |               |             |            |             |               |         | 95.6%          |

Professional Liability Incurred Loss & ALAE, as a Percentage of Total:

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# RILEY BENNETT & EGLOFF, LLP

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ATTORNEYS AT LAW

*Answers, Advice and Advocacy*

J. MARK MCKINZIE  
Direct Fax: (317) 955-7156  
E-mail: mmckinzie@rbelaw.com

September 10, 2008

**VIA U.S. MAIL & HAND DELIVERY**

Debra M. Webb, Esq.  
Market Regulation  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Re: Arch Excess and Surplus Insurance Company's  
Market Conduct Exam

Dear Debra:

This letter is to officially respond to the February 19, 2008 Milliman report prepared by Chad Karls and Susan Forray of Milliman, Inc. out of Brookfield, Wisconsin, which was adopted, verbatim, by the Department.

While we are in agreement with you that the market conduct exam of Arch Excess and Surplus Insurance Company ("Arch") may be well-suited for an early settlement due to the lack of Arch continuing to write these types of policies, there are fundamental flaws in Milliman's approach which need to be discussed and resolved.

Attached you will find a review we had submitted previously to you completed by Bartlett Actuarial Group, Ltd. ("Bartlett") of the policies written and claims experienced during the time period of Milliman's review, April 29, 2003 through May 1, 2005. As the Bartlett report emphasizes, the lack of substantial foundation leading to Milliman's conclusion of a 90% professional liability application to the combined general liability/professional liability premium is problematic. While there are other points mentioned by Milliman which, in aggregate, have an effect of less than \$50,000.00, this is the essence of the request by the Department for Arch to remit an additional \$2,600,000.00. Exhibit 4 to the Milliman report shows there were very limited bases for Milliman's conclusion that 90% is the appropriate ratio for the professional liability portion of the total premium. It was based upon such things as an unstated "conversation with nursing home professional liability underwriters" and a "Texas St. Paul nursing home rate filing effective 03-28-2000." We believe it is unfortunate that you would not allow any dialogue between actuaries or even share with us what Milliman's reaction and response was to the Bartlett Group's observations and findings.

EXHIBIT

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**RILEY BENNETT & EGLOFF, LLP**

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Ms. Debra M. Webb  
September 10, 2008  
Page 2

The Department's request for this amount of money based upon the Milliman's report is especially ironic when viewed that an aggregate of \$476,921.00 was paid into the Fund for the policies under review for the time period in question and no monies have been paid out by the Fund. Bartlett has noted that of the nineteen (19) claims associated with policies written during the time period under examination, seventeen (17) (one has since closed since the issuance of the Bartlett report in June 2008) of them are now closed. Furthermore, as all of the policies were written on a claims made basis and there has now been over a three (3) year period for the claims to mature within a reasonable degree of actuarial certainty, Bartlett does not expect either of the remaining two (2) claims to pierce the threshold for any payments to be made by the Fund. With this opinion, combined with the results of the other seventeen (17) claims, no losses have been or are expected to be incurred by the Fund for the period in question.

We have also been able to determine that while Arch, Midwest, Healthcap, and Cincinnati all had target examination work done by Milliman, National had a separate actuarial review due to a conflict between Milliman and its parent, AIG. Of the four (4) Milliman Reports which have been prepared, we understand there were no loss payouts by the Fund on the policies in question for the time period of the examination for either Healthcap or Cincinnati and, in fact, the Department has written a check back to Cincinnati for excess funds contributed to the Fund. While several of the Midwest policies in question have had monies paid out by the Fund, the total amount remitted by Midwest exceeded the total loss payouts, plus ALAE associated with those losses. Therefore, for the first four (4) of the five (5) entities in question (which we understand to be the five (5) largest writers of nursing home coverage in the State), the aggregate amount remitted to the Fund materially exceeded the amount of the losses and associated expenses paid out by Fund on the policies which have been reviewed.

The results to date from the targeted examination of both Arch and the other entities in question bears out that the surcharges remitted appear to have exceeded the actuarial risk posed to the Fund, adding irony to the multimillion dollar request which the Department has now made of Arch.

While we continue to appreciate the Department's accessibility and professionalism, as you know, to date we have not been able to find common ground upon which a settlement can be based in order to avoid formal litigation over this matter.

We remain open to discuss with you the methodology, assumptions, and conclusions involved with the Bartlett and Milliman reports. We respectfully request for you to set forth your substantive authority for your proceeding in this regard, in addition to the procedural statutes you have previously cited and are found in Chapter 27 of our Insurance Code. Lastly, I will shortly be sending to you a formalized

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**RILEY BENNETT & EGLOFF, LLP**

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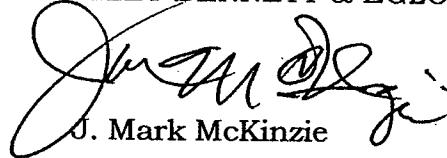
Ms. Debra M. Webb  
September 10, 2008  
Page 3

Freedom of Information Act request covering the fiscal performance of the Patient's Compensation Fund for the time period of the examination through the present date, for not only nursing homes, but also doctors and hospitals.

Please know that my client is open to continued discussion in an effort to reach a reasonable accord.

Sincerely,

RILEY BENNETT & EGLOFF, LLP



J. Mark McKinzie

Attachment

cc: Ms. Carol Mihalik (via email w/attachment)  
Mr. Joseph S. Labell (via email)

JMM/sld/2484-71/JMMCL/5300.120